



International Federation  
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT  
AND INVESTIGATIONS

INTERNAL AUDIT OF THE TRINIDAD & TOBAGO  
COUNTRY CLUSTER OFFICE  
REPORT NO. IA-2018-01

AUDIT PERFORMED: FEBRUARY 2018

REPORT DATE: MAY 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.....	3
4.	EXECUTIVE SUMMARY .....	4
PART II	DETAILED OBSERVATIONS & RECOMMENDATIONS.....	7
PART III	ANNEXES .....	33

## PART I INTRODUCTION & EXECUTIVE SUMMARY

### 1. BACKGROUND AND CONTEXT

The Trinidad and Tobago Country Cluster Office is part of the Americas Region and is located in Port of Spain, Trinidad and Tobago. The Office role is to support the humanitarian work in the English-speaking Caribbean region, covering 13 countries: Antigua & Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, The Bahamas, and Trinidad & Tobago.

The 2018 operational plan of the Office outlines its objective of strengthening resilience of the National Societies in the Caribbean region. Special focus is given on areas of disaster risk reduction, shelter, livelihoods, health, protection, gender and inclusion and migration with an allocated annual budget of CHF 7.2 million.

The Caribbean region has been significantly affected by recent disasters resulting in the raising of funds, such as Hurricane Irma with an operational budget of CHF 2.6 million, Hurricane Maria with CHF 5.7 million, both in September 2017, and the Zika outbreak in the Americas with CHF 6.9 million ongoing since February 2016.

At the time of the audit, the Cluster Office was composed of two international staff (one based in Jamaica) and 10 national staff.

As a result of the scale up of the operations and expansion of the Office team, our audit took place in February 2018 and was part of the 2018 Internal Audit plan approved by the Secretary General.

### 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 includes a review of the following, with a risk based approach used to prioritise the audit activities:

#### A) *Oversight and Risk management*

- Risk management (including the process to identify, assess and manage risk), governance and

oversight.

- Coordination and organisation 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 mobilisation, pledge management, and partnerships.
- Logistics, procurement and fleet management.
- Security management.

*C) Operations management*

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

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

Due to a shorter audit timeframe, sections on pledge management, security incident reporting and IT management were excluded from the scope. These were assessed by the OIAI as not having a material impact towards the achievement of the Office's objectives. Also, the review on recruitment has been limited due to improper filing of records in human resources files.

## 4. EXECUTIVE SUMMARY

### 4.1 Conclusion

The internal audit of the Trinidad and Tobago Country Cluster Office highlighted many improvement opportunities that are critical for the successful achievement of the Cluster Office objectives. These are mainly related to the effectiveness of the management of programme risks, legal risks, security risks, financial risks and Human Resources related risks.

We assessed the overall level of internal control environment as being limited. As such, the achievements of the Cluster Office objectives are at risk if the required mitigation action plans are not timely implemented.

## 4.2 Summary of Recommendations

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

SECTION	Recommendations		
	High Priority	Medium Priority	Low Priority
<b>A OVERSIGHT AND RISK MANAGEMENT</b>	<b>2</b>	<b>4</b>	<b>-</b>
A1 Risk management, oversight and monitoring	1	1	-
A2 Organisation, coordination and communication	-	2	-
A3 Legal & supplementary services	1	1	-
<b>B PROGRAMME AND PARTNERSHIPS MANAGEMENT</b>	<b>2</b>	<b>4</b>	<b>-</b>
B1 Programming, planning, monitoring, evaluation, and reporting	1	1	-
B2 Resource development and Partnerships management	-	1	-
B3 Logistics, procurement and fleet	-	2	-
B4 Security	1	-	-
<b>C OPERATIONS MANAGEMENT</b>	<b>5</b>	<b>7</b>	<b>1</b>
C1 Finance	5	1	-
C2 Human resources	-	5	-
C3 Administration	-	1	-
C4 Assets and inventory	-	-	1
C5 Information systems	-	-	-
<b>TOTAL AUDIT RECOMMENDATIONS</b>	<b>9</b>	<b>15</b>	<b>1</b>

## 4.3 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	Total
a)	Effectiveness	1	2	-	3
b)	Efficiency	1	8	-	9
c)	Asset Safeguarding	3	5	1	9
d)	Reporting	4	-	-	4
	<b>Total</b>	<b>9</b>	<b>15</b>	<b>1</b>	<b>25</b>

The Trinidad and Tobago CCST has been overseeing operations and set programmes under their remit in a committed manner. We found the team was aware of the operational risks and that most of these risks were being managed informally. This is in the context of working with governance practices used by national societies in the Caribbean region, with limited capacity to immediately implement better practices.

The Head of Trinidad and Tobago CCST has been in post since October 2016 with a stable and supportive team, which continues to develop existing systems and is open to continuous improvement. The team/systems had to evolve due to the growth in the number of programmes through 2017/18.

Yet, there were critical inadequacies in compliance to procedures and adequate implementation of internal controls in programme management and support services, requiring immediate redress.

The key points are:

- Lack of strategic planning that could lead to strengths, needs, challenges, opportunities for the Cluster not being captured and impeding the overall guidance of the Cluster. The absence of key roles such as Operations Manager or NSD Coordinator further increases the risks of missed opportunities and synergies, leading to insufficient support to national societies capacity building. (Observation/recommendation #2)
- Insufficient understanding of the PMER component that have not been translated into monitoring and evaluation. Consequently, there has been over reliance by Project Managers on the Finance team, impacting the reporting quality and leading to lessons learnt not being documented. (Observation/recommendation #8)
- Weak financial oversight capacity caused by lack of human resources and inefficient work organisation/segregation of duties. This led to non-existent, incomplete or delayed regular reviews especially related to working advances and petty cash management. In this situation, the risks of late reporting, undetected mistakes and misappropriation of funds are highly increased, with prompt improvement in daily practices urgently required. (Observations/recommendations #13, #14, #15, #17 and #18)

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

## **PART II DETAILED OBSERVATIONS & RECOMMENDATIONS**

### **INTERNAL AUDIT REPORT**

**NO. IA-2018-01**

A	<b>OVERSIGHT AND RISK MANAGEMENT</b>
<p>Good practices The following good practices were identified:</p> <ul style="list-style-type: none"> <li>ū Continuous efforts are given to improving the workplace environment, building team spirit and encouraging work life balance.</li> </ul>	
A1	Risk management, oversight and monitoring
<p>A1.1 Risk management</p> <p><u>Risk-based Approach</u> A significant role of management is to identify, analyse, mitigate and monitor risks. Although risk management is assessed on an ad-hoc basis, a risk management culture has not yet been embedded. As a result, risks within the region are not being addressed in a formal and structured manner. There are several key areas that could have benefited from a more thorough risk management process. These include the capacity assessment of the Cluster to manage many present and upcoming major operations, such as Zika, Hurricanes Irma and Maria, and grants from important partners. This resulted in programme and support functions restructuring within the Office and was impacted by the high frequency of staff deployment due to the requirements of the region.</p> <p><u>Risk Register</u> As reported in the 2018 Operational Plan, the Office has identified 9 risks in terms of impact and likelihood, including 3 high risks and 3 medium risks both. However, there is no documented evidence that the risk mitigation activities are being monitored with a clear action plan and risk ownership. The lack of a systematic process for continuous review of the risks could adversely impact the Cluster function and the achievement of its objectives defined in the Operational Plan.</p> <p>Risk(s): Ineffectiveness; Partnerships/reputation. Cause(s): Organisational culture; Oversight/Guidance.</p>	
<p>Recommendation 1:</p> <ol style="list-style-type: none"> <li>a) Promote a risk management culture throughout the Office, which incorporates a process of risk identification, assessment and mitigation;</li> <li>b) Develop and streamline the Risk Register of the Operational Plan to monitor the status of the agreed action plans. The register should be updated once every year at a minimum.</li> </ol> <p>Management Action Plan:</p> <ol style="list-style-type: none"> <li>a) A risk assessment will be conducted in the Country Cluster to identify, analyse, mitigate and monitor the risks. It is proposed to conduct these assessments twice a year. As a result of this exercise, a risk matrix and a risk register will be the outputs of this assessment. The risk register will be the tool to monitor the identified risks and to ensure they are managed in the best effective manner to ensure that the achievements of the objectives are not affected. As a second measure to improve the risk culture in the Country Cluster, all the staff will take the Fraud and Corruption Prevention Courses (1 and 2). It will be mandatory for all the staff in the Country Cluster Office;</li> <li>b) This will be done for 2018 and thereafter.</li> </ol> <p>Risk Owner: Head of Country Cluster Office      Due Date: July 2018      Priority Rating: Medium</p>	



## A1.2 Governance and Oversight

### Strategic Plan

The Cluster Office performed a 'right sizing' process on a staggered basis and several positions have been added for recruitment or are under assessment. The 'right sizing' process was in line with the scaling up of operations in the Caribbean region and to streamline the level of support to National Societies.

The following is planned for 2018:

- The management handover of major emergency operations such as the CHF 2.6 million budget for Hurricane Irma and the CHF 5.7 million budget for Hurricane Maria.
- The signature of project agreements to implement disaster risk management activities with an estimated budget of CHF 5 million, with timeframes up to July 2021.
- The management handover of the Caribbean Disaster Risk Management Reference Centre (CADRIM) to the Cluster Office (refer to additional observations below under Section A2.1 - Organisation).

The 'right sizing' continues in 2018 and more positions are planned to be filled during the year. At the time of the audit, two key positions were advertised, the Operation Coordinator and the PMER Coordinator. However, the overall scaling up was not highlighted in the 2018 Operational Plan and numerous staff positions are still under assessment. There was no evidence provided on whether an assessment of available funding was performed regarding the future organigram of the Cluster or if it had been approved by the Americas Regional Office.

A Strategic Plan is yet to be developed regarding the scaling up of the teams, to assessing the organisational capacity, identifying the main strengths, needs, challenges, opportunities and guiding the overall direction of the Cluster Office.

### National Society Capacity Development

One of the IFRC main priorities for the Cluster is to provide support to build stronger National Societies (NS). The programme managers have various activities in their plans to perform national society capacity development, such as senior management meetings, country surveys and topic specific consultations. However, the 13 NSs in the Caribbean and South Americas' regions are characterised by being low-to-middle income, having limited financial resources and human resource management is a challenge. Although Organisational Capacity Assessment and Certifications (OCACs) have been performed between 2013 and 2017 for 7 out of the 13 NSs, capacity building activities are yet to be coordinated. A consolidated National Societies Capacity Development Plan with a harmonisation approach for the region has yet to be formulated, both between the NSs and between the different units/programmes at the Cluster Office.

Risk(s): Ineffectiveness; inefficiency.

Cause(s): Oversight/Guidance.

### Recommendation 2:

- a) A Strategic Plan is developed, outlining how the Cluster Office will transition towards the scaling up of managing operations in 2018 and onwards. This should include reviewing the current organisational structure, analyse the support functions capacity versus programme needs and further adjust the resource mobilisation plan to maintain coherence and long-term sustainability;
- b) Develop a coordinated and consolidated approach to national society capacity development. This should include
  - i) Ensuring that all national society capacity development initiatives are based on a formal capacity assessment and
  - ii) Documenting the various national society capacity development activities for 2018 and identifying opportunities for departmental synergies at the Cluster Office and within the region.

### Management Action Plan:

- a) The transition for managing the operations has already been planned with the inclusion of the Regional Operations Coordinator position for which recruitment is being finalised;

b) This will be further developed when the new focal point will be recruited. Unfortunately, the first round of interviews was inconclusive, so the position will be reopened and a short-term measure identified to continue to provide support to the CCSO and the NS.

Risk Owner: Head of Country Cluster Office

Due Date: September 2018

Priority Rating: High

A2	Organisation, coordination and communication
A2.1	<p>Organisation</p> <p><u>Caribbean Disaster Risk Management Reference Centre (CADRIM)</u></p> <p>The Caribbean Disaster Risk Management Reference Centre (CADRIM) is a tool of the Federation and is hosted by the Barbados Red Cross. This Reference Centre was established in 2010 as a result of an agreement between the Presidents of the Caribbean Cooperation of Red Cross (CCORC) which is part of the broader Caribbean Red Cross disaster management network. CADRIM is one of the four Red Cross reference centres in the Americas and specialises in research, systematisation, validation and analysis of risk management methodologies for the English and Dutch-speaking Caribbean National Societies.</p> <p>The following was noted:</p> <ul style="list-style-type: none"> <li>• <u>Memorandum of Understanding (MoU)</u> - Parties to the MoU: The MoU has been signed in August 2016 between the Director General of the Barbados Red Cross and the Acting Head of the IFRC Cluster Office. However, the MoU refers to roles and responsibilities which fall under the Policy, Strategy and Knowledge (PSK) department of the Americas Regional Office (ARO) in Panama. It is unclear whether the PSK department in Panama is fully aware of its role regarding the CADRIM's management, since it was not one of the signatories of the MoU. - Expiry date: the MoU has expired since the end date of July 2017.</li> <li>• <u>Management and reporting lines</u> Although a page has been dedicated to the CADRIM in the website stating that "All 4 Centres fall directly under the management of the Policy, Strategy and Knowledge Unit in the IFRC Americas Regional Office, located in Panama.", by contrast the MoU does not provide a clear definition of CADRIM's management responsibilities, neither its reporting lines to either the NS, IFRC via PSK or IFRC via the Caribbean Cluster.</li> <li>• <u>Responsibilities and expectations</u> The lack of clarity regarding management responsibilities has resulted in numerous disruptions in the decision-making process, both within the PSK department in Panama and the Cluster Office in Trinidad. Discussions have been ongoing regarding the entire attribution of CADRIM's management responsibility to the Cluster Office, with a final decision still due at the time of the audit. The lack of clear leadership and guidance has created frustration. There is a lack of understanding from the Centre about the extent of the support to be provided by the Cluster, for example the Centre requires the administration and finance support team in the Cluster to advise on risk management, project financial monitoring or budgetary functions, which remains the CADRIM Coordinator's roles as defined by the MoU.</li> </ul> <p><u>Roles, responsibilities and segregation of duties</u></p> <p>The established roles and responsibilities in the Cluster Office are not in accordance with the established organisational chart and/or job descriptions. The following has been noted:</p> <ul style="list-style-type: none"> <li>• The Finance Officer for the Zika Caribbean Project was supporting the Cluster team for half of their available mission time. Therefore, his responsibility, tasks and reporting lines are currently mixed by the two roles.</li> <li>• The Finance Assistant for the Cluster was also performing administrative, human resources services and fleet duties for half of their available mission time.</li> <li>• The Senior Finance &amp; Administration Officer: - is performing a managerial role (instead of an officer role), including an unofficial supervisory role of the Zika</li> </ul>

Project Finance Officer;

- is also overseeing the human resource, procurement and logistic functions;
- is coordinating legal and IT functions with the Americas Regional Office;
- is executing additional tasks to support the Head of Country Cluster, as the Office does not have a designated Executive Assistant.

Overall, time is spent by the Finance and Administration team trying to support and coordinate these areas, leaving insufficient time for the core functions, especially for the finance overview component. The lack of segregation of duties and the concentration of various technical duties on one member of staff, particularly the tasks for which the staff has no technical expertise (the main example being in human resources), could increase the risk of fraud. It also could have a negative impact on the fulfilment of individual staff objectives and in the effectiveness, efficiency and quality of support provided to various stakeholders.

Risk(s): Inefficiency.

Cause(s): Resources/capacity; Organisational culture.

Recommendation 3:

In relation to the CADRIM:

- a) A decision is taken regarding the official managerial reporting line of the CADRIM and its eventual handover to the Cluster Office. Furthermore, clarify and communicate to all staff the roles and responsibilities of the CADRIM and the level of support to be provided by the Cluster Office and/or Americas Regional Office.

In relation to Cluster Office:

- b) In relation to support services functions (human Resources, administration and finance), assess how best to restructure these functions. Finalise the reorganisation of the Cluster Office, ensuring clarity and appropriate segregation of duties. Amend job descriptions accordingly, prepare and share with all staff an organisational chart reflecting accurate roles, responsibilities, managerial and technical reporting lines;
- c) Assess and document technical capacity gaps at the Cluster Office. Request support from the Americas Regional Office where needed.

Management Action Plan:

- a) A review of the existing job descriptions will be carried out to ensure that the staff positions are performing their tasks and duties according to their respective function. The job descriptions will clearly show the reporting lines from a functional point of view and an organisational point of view. The organisational chart will be reviewed to ensure clarity. Each process will be reviewed to ensure that there is an appropriate segregation of duties among the staff. This has already been done for finance staff and will be adjusted to include additional staff once recruited. Regular coordination meetings are being held with programme staff to tighter align portfolios and identify ways to fill emerging gaps. This process already began in November 2017 and is continuing;
- b) The review of the existing human resources capacity, the expected additional demand due to the new volume of programmes and the plan is already being assessed to ensure that the structure will provide effective and efficient services that will allow the achievement of the objectives. This review will be carried out with the support of technical units of the Regional Office.

Risk Owner: Head of Country Cluster Office

Due Date: June 2018

Priority Rating: Medium

## A2.2 Coordination and communication

### Integrated approach to planning

The Office has not established regular and formal internal meetings between all units to ensure key issues affecting the Cluster are discussed and information timely communicated. In addition, the considerable need for staff to travel has created disruptions in information sharing, impeding the overall planning process. Regular coordination meetings

between programme and support functions are also yet to be established to enable a seamless workflow, for example, to enable timely approvals and payments.

Risk(s): Inefficiency.

Cause(s): Oversight/Guidance.

Recommendation 4:

- a) Establish formal staff meetings on a regular basis as a mechanism of communicating key initiatives or critical decisions;
- b) Organise regular coordination meetings, such as bi-weekly or monthly, between programmes and support functions. Upcoming programme activities, travels and all other needs are shared with support services to enable an integrated approach to planning;
- c) An agenda for each meeting is defined and meeting notes are taken. Outcome notes should be taken with an agreed action plan, timeline and follow up on the implementation of previous decisions. New risks identified are discussed and inserted into the Risk Register.

Management Action Plan:

- c) Even though the staff meetings have not been done monthly, regular meetings were convened, and information was being shared. Since March, monthly meetings have been scheduled and have been taking place;
- d) Coordination meetings with the technical teams are already being held on a regular basis starting from last year;
- e) Notes of meetings are always systematically recorded and shared with the team.

Risk Owner: Head of Country Cluster Office

Due Date: June 2018

Priority Rating: Medium

A3	Legal and supplementary services
<p>A3.1 Contract management</p> <p><u>Contract reviews and E-contracts</u></p> <p>The Cluster Office is using the e-contract system to initiate, review and approve contracts. However, the audit noted that the trainings received on the use of the e-contracts database have not been effective and all staff expressed the need for a refresher training. Furthermore, a tracking mechanism has not been established to follow up on current agreements status for example contracts that are active, expired, extended, and/or pending approval.</p> <p>Contracts and agreements are managed by different units, between programmes and support functions, regardless of the contract type. The current filing system does not allow for an effective contract review. In one case, a service provider contract had already expired for several months. As a result, there is a lack of accountability and understanding around contract management ownership.</p> <p>Risk(s): Legal liabilities; Asset/Financial loss. Cause(s): Compliance; Oversight/Guidance.</p> <p>Recommendation 5:</p> <ol style="list-style-type: none"> <li>a) Coordinate with the Legal Counsel in the Americas Regional Office for training on e-contract and related procedures, such as the Contract Approval Matrix, to ensure staff understand their respective roles in relation to contract management. Remind all contract owners about their roles and responsibilities in relation to contract management;</li> <li>b) Reconciliation between existing contracts and e-contract database list of contracts is performed on a regular basis to ensure completeness of uploaded contracts in the system. New contracts are registered and approved in e-contracts as per the contract approval matrix;</li> <li>c) Develop a mechanism to ensure the contract status are monitored on a regular basis and to ensure contract reviews are performed before reaching expiry dates.</li> </ol> <p>Management Action Plan:</p> <ol style="list-style-type: none"> <li>a) This will be implemented in coordination with the Legal Counsel in the ARO;</li> <li>b) The Head of the CCST will appoint a staff responsible to conduct the initial review and reconciliation. Once it has been reconciled, the staff will perform a review monthly to ensure compliance with the recommendation;</li> <li>c) A database will be developed where a system will be put in place to identify the active, expired and due to expire contracts. The Head of CCST will supervise the timely update of this register and she will ensure the timely action in case there is a contract due to expire.</li> </ol> <p>Risk Owner: Head of Country Cluster Office      Due Date: June 2018      Priority Rating: Medium</p>	
<p>A3.2 Supplementary services</p> <p><i>The Country Cluster is not currently providing supplementary services.</i></p>	
<p>A3.3 Other legal matters</p> <p><u>Status Agreements</u></p> <p>The Cluster has not yet obtained Legal Status Agreements in some locations where IFRC staff have a duty station:</p>	

*a) Jamaica*

The Caribbean Zika Project Manager is permanently based in Kingston, Jamaica, and another project assistance position is expected to be opened soon. The Project Manager is hosted by the Jamaica Red Cross without an established agreement clarifying the conditions and relationship between the IFRC and the National Society.

*b) Barbados*

The Disaster Risk Management Coordinator is contracted and hosted by the Barbados Red Cross Society. However, the secondment of her services to the IFRC are not highlighted in her contract. As a result, human resource related matters are unclear, such as if the salary should be paid through a working advance or directly to the staff, to reflect the actual reporting lines.

Similarly, the Caribbean Disaster Risk Management Reference Centre (CADRIM) is hosted by the NS and has one permanent Coordinator, and, from time to time, one to three support functions' staff. If the Americas Regional Office confirms the management handover of CADRIM to the Cluster Office, there is a need to determine the object of CADRIM, and decide on its legal status. Refer to above section A2.1 Organisation.

Risk(s): Legal liabilities; Partnerships/Reputation.

Cause(s): Oversight/Guidance.

Recommendation 6:

- a) Ensure that MoUs are signed with the respective National Societies (Jamaica and Barbados) clarifying roles and responsibilities in hosting/hiring staff on behalf of the IFRC Secretariat;
- b) Review the logic, sustainability and cost effectiveness of having staff based in Jamaica and Barbados.

Management Action Plan:

Agreed

Risk Owner: Head of Country Cluster Office

Due Date: July 2018 for recom. 6a and December 2018 for recom. 6b

Priority Rating: High

B	PROGRAMME AND PARTNERSHIPS MANAGEMENT
B1	Programming, planning, monitoring, evaluation and reporting
B1.1	<p>Project management</p> <p><u>Oversight of operations / budget holder responsibility</u></p> <p>At the time of the audit, the Office did not have a Programme Coordinator. The managerial oversight and Budget Holder (BH) authority of programmes were all officially under the Head of Country Cluster’s responsibilities; National Society Development (NSD), Resources Development (RD), Health, Migration, Disaster Risk Reduction (DRR) and projects related to Climate Change. Consequently, the Coordinators for Disaster Risk Management and for Resilience, who are fully responsible for the implementation of their respective programmes and assuming programme managers responsibilities, are not receiving regular and useful reports (for example, reports indicating donor report requirements and due donor reports). There is no documented project management matrix to clarify roles, assign accountability, including a delegation of authority from the Head of CCST to the Programme Managers. Further to this, the centralisation of numerous programmes with such a diversity of technical expertise under a sole budget holder could impair the effectiveness of project implementation, the quality of support to national societies and divert the priorities of the Head of CCST from a more strategic oversight.</p> <p><u>Project management capacity</u></p> <p>Programme managers often rely on the Finance team regarding project budgeting and advice on project financial monitoring. There is a willingness to strengthen their skills on programme financial management and the need for refresher trainings, such as Finance Budget Holder training and Project, Programme, Planning (PPP) e-learning courses.</p> <p>Risk(s): Inefficiency; Ineffectiveness. Cause(s): Oversight/Guidance.</p>
	<p>Recommendation 7:</p> <ol style="list-style-type: none"> <li>a) Assess the existing programme management skills among staff in the Cluster Office and consider decentralising budget holder responsibilities where possible. This can also include establishing a formal and documented delegation of authority (using the IFRC delegation of authority form) by the budget holder to the respective programme managers. Project reporting requirements are regularly shared with the respective programme managers.</li> <li>b) Establish structured training plans to provide programme managers with trainings such as PPP (Project, Programme, Planning) and Programme Manager Financial Management (budget holder training). Perform refresher trainings on specific finance related matters on a periodical basis (also refer to recommendation 8a).</li> </ol> <p>Management Action Plan:</p> <ol style="list-style-type: none"> <li>a) This was a temporary measure as negotiations were underway on budgets for projects. Now this has changed, and project managers are also budget holders for projects. The Zika project manager was already a budget holder from the outset;</li> <li>b) A Project Manager Finance Training was successfully conducted from April 30 to May 2, 2018 with 20 participants from the CCST and CADRIM.</li> </ol> <p>Risk Owner: Head of Country Cluster Office and Program Managers Due Date: June 2018 <span style="float: right;">Priority Rating: Medium</span></p>

## B1.2 Planning, Monitoring, Evaluation and Reporting (PMER)

Planning, Monitoring, Evaluation and Reporting (PMER) are the key phases of a project's life and these activities are integral parts of Project Managers' responsibilities. The following was noted:

### Results-Based Management (RBM)

The Office Cluster and the national societies have not yet developed systematic methodologies on data management, including identification, collection, storage and analysis of data. As per the Federation PMER guide, Results-Based Management (RBM) refers to an overall approach to managing projects that focuses on defining measurable results and the use of methodologies and tools to achieve those results. The lack of results-based approach can lead to inadequate quality of reporting and reflections/lessons learnt not being documented.

### Monitoring and Evaluation (M&E)

An important feature of any project is an exemplary M&E system, integrated into programme management. It enables programme managers to detect and correct failures in targeting needs and implementation. In the programme management life cycle, evaluation occurs after a period of monitoring and data capture. It is the final phase that is used to improve the strategy through future actions.

The only PMER expert in the Cluster Office is the Senior Officer for the Zika Project in the Caribbean. The Disaster Risk Management Coordinator and the Resilience Coordinator are also performing PMER functions as part of their daily portfolio.

There was no M&E Plan developed for the other projects at the Cluster except for the Zika Project,.

### Narrative Reporting

Programme staff had different views with regards to budgeting, planning, monitoring and the financial outcomes of a project. This lack of understanding of project monitoring and its translation into financial data has resulted in Programme Managers being over reliant on the Finance team to interpret and assist reporting.

Risk(s): Inefficiency; Inaccurate/Late reporting.

Cause(s): Compliance; Capacity.

### Recommendation 8:

- a) Promote a Results-Based Management approach by developing programme data management and incorporating ongoing lessons learnt into the decision-making process;
- b) Establish M&E plans for all appeals/projects and allocate funds for M&E activities early in the programme design process. Evaluations are performed as per the IFRC Framework for Evaluation. This should include identifying any specific M&E requirements on the projects such as donor requirements, governmental laws and regulations, or internationally agreed standards;
- c) An M&E training schedule is established with key training sessions. Budget is allocated to provide long-term program staffs with refresher trainings. This should be completed by requesting staff to take available online courses dedicated to M&E and use PMER documentation shared on the Federation website;
- d) Programme Managers validate and interpret the draft financial reports shared by the Finance team in advance to the preparation of the donor and appeal narrative reports.

### Management Action Plan:

- a) Will discuss with PMER for the adjustment to be done and action accordingly;
- b) To be discussed with PMER;
- c) Being done;



d) The roles and responsibilities of the project managers and finance staff have been refreshed and clarified. The finance staff will provide the draft financial report together with the browse details in advance of the project managers who will review the content. He or she will provide feedback to the finance officers. These feedbacks may represent changes in accounting transactions or the approval of the report. The Senior Finance Analyst will do the cross check with the PMER Officer in the ARO to ensure the adequate coherence of the description of activities and outcomes describe in the narrative report vs the financial data included in the financial report as part of the validation process.

Risk Owner: Program Managers

Due Date: June 2018

Priority Rating: High

B2

Resource development and partnerships management

B2.1 Resource development

Funding Strategy and partnership relations

The Head of Country Cluster (CCST) is responsible for mobilising resources for the programmes being implemented in her region. She works with the Americas Regional Office to map funding opportunities, strengthen existing partnerships and develop new partnerships. Furthermore, Cluster programme managers have been occasionally performing resource mobilisation tasks as part of their job descriptions. Hence, the development of partnerships is fragmented between the Regional Office and the Cluster Office and within the different programme units of the Cluster Office, which could lead to duplication and uncoordinated efforts. A regional resource mobilisation strategy and plan are yet to be developed to optimise funding opportunities spread out in the region.

Risk(s): Ineffectiveness; Partnership/Reputation.

Cause(s): Oversight/Guidance; Resources/Capacity.

Recommendation 9:

Develop a Fundraising Strategy and Plan for the region in coordination with resource mobilisation focal points in the Americas Regional Office and the Cluster Office, to optimise funding opportunities in the region and reduce the risk of future funding gaps. This should include outlining the resource mobilisation roles between the Regional Office and the Cluster Office.

Management Action Plan:

To be discussed with PRD team

Risk Owner: Head of Country Cluster Office

Due Date: September 2018

Priority Rating: Medium

B2.2 Pledge management

*Due to scope limitation, the internal audit did not include this area.*

B2.3 Partnerships

*Refer to B2.1 Resource Development.*

B3	Logistics, procurement and fleet
B3.1	<p>Logistics and warehouse management</p> <p><i>The Office does not have any warehouse.</i></p>
B3.2	<p>Procurement</p> <p>Procurement performed by the Cluster Office is limited either to administration procurement such as small IT, office and housing equipment, or services such as travel tickets, transportation, communication and IT repairs.</p> <p><u>Supplier pre-qualification and due diligence</u></p> <p>According to the Procurement Manual, when sourcing goods or services, care should be given to vendor due diligence and risk assessment. Each application for registration shall be evaluated by a procurement officer who has the knowledge and capability to assess supplier applications. The administration team is not trained to assess the supplier application and documentation provided. The pre-qualification documentation and the verification process is inadequate to ensure that providers comply with the business, financial and ethical requirements. The vendor acceptance phase is yet to be documented and background checks are not performed prior to contracting suppliers. Furthermore, there is neither a supplier database nor a process to formally review and document the performance of the suppliers on a regular basis.</p> <p><u>Service Framework Agreements (SFA)</u></p> <p>The Cluster is working with certain companies on a regular basis for basic administrative and support services, such as hotels, travel agencies, and taxi companies. However, a competition process for the selection of the suppliers is yet to be established and service framework agreements are yet to be signed. The absence of service contracts increases the risk of disputes, financial liabilities and services not being provided to the expected level.</p> <p>Risk(s): Inefficiency; Fraud/misuse. Cause(s): Compliance; Oversight/Guidance.</p> <p>Recommendation 10:</p> <p>Ensure best value for money by taking the following actions:</p> <ol style="list-style-type: none"> <li>a) Establish a supplier's pre-qualification process, before suppliers are added to the pre-approved list of suppliers. The pre-qualification process should include verifications, such as technical suitability, quality certification, independence from IFRC personnel, financial stability, reputation, liability insurance and Health Safety and Environment (HSE) certification. The procurement team should be trained to ensure they have collective knowledge and capacity to assess supplier applications and documentation;</li> <li>b) Document the vendor selection process, which includes: i) A Committee of Contracts is appointed to review and approve the vendors selection; ii) An indexing is developed and a review checklist for each file is developed to ensure completeness of documentation;</li> <li>c) Open competitive tender processes for all regular service providers and sign framework agreements.</li> </ol> <p>Management Action Plan:</p> <ol style="list-style-type: none"> <li>a) Will be done in quarter 2;</li> <li>b) There is no major procurement process to warrant this in the CCSO. Major procurements are handled by RLU Panama and follow this format and functioning;</li> </ol>

<p>c) The more frequent transactions will be identified to conduct a bid process. This was already done for the selection of the local travel agent. The aim is to sign framework agreements following the guidelines and procedures for frequently used hotels, as it is becoming increasingly difficult to always obtain 3 quotes from the same hotels each time, as the frequently unsuccessful bidders no longer wish to dedicate time to providing quotes.</p>		
Risk Owner: Administration/Procurement officer	Due Date: June 2018	Priority Rating: Medium
<p>B3.3 Vehicle management</p> <p><u>Vehicle sales</u></p> <p>The Office fleet was composed of three vehicles; two Land Cruisers and one Toyota Prado. In December 2017 it was decided to improve the fleet efficiency and sell the two Land Cruisers due to their limited use. At the time of the audit, discussions were still ongoing about the way forward for the sale of the second vehicle, as the Cluster Office was waiting for guidance from both the Global Fleet Unit and the Americas Regional Office. The solution to call back the pool of bidders for the first vehicle was assessed, but the process was yet to be launched. Furthermore, it was noted that the Land Cruiser had not been used for more than four months. A lengthy selling process, and unused vehicles for a prolonged period leads to economic missed opportunities due to valuation or lack of efficiency.</p> <p>Risk(s): Asset/Financial loss; Legal liabilities. Cause(s): Oversight/Guidance.</p>		
<p>Recommendation 11:</p> <p>Finalise the selling of the second Land Cruiser to avoid the deterioration of the vehicle market value or safety. This should include obtaining final guidance from the Global Fleet Unit for consistency and improved decision-making.</p> <p>Management Action Plan:</p> <p>The sale of the units was based on guidance from the Global Fleet team, as these units were deemed to be in need of replacement per IFRC's fleet management procedure. This was what led to the procurement of the Prado. The sale of the second unit is being done.</p>		
Risk Owner: Finance and Administration Manager	Due Date: June 2018	Priority Rating: Medium

B4	Security
<p>B4.1 Security framework</p> <p><u>Minimum Security Requirements (MSR)</u></p> <p>The Cluster Office has developed the required security documents and therefore has been assessed as compliant with the Minimum Security Requirements since November 2017. However, the following was noted:</p> <p>a) <u>Jamaica and Barbados MSR Compliance</u></p> <p>As per the MSR Policy, the MSR applies to all field operations including all delegates, local staff, volunteers working with the Federation, visitors, and Federation engaged consultants. This also includes "Federation staff" including any other personnel operating under the Federation umbrella in the operational area. The MSR compliance has been assessed for Trinidad &amp; Tobago Cluster Office only. Jamaica and Barbados, which are locations hosting permanent Federation staff, are yet to obtain MSR compliance.</p> <p>Furthermore, an Expanded Welcome Security Brief Document for all IFRC locations with non-permanent staff presence, is yet to be developed for locations visited regularly in the region such as Antigua &amp; Barbuda or Dominica.</p> <p>b) <u>Security assessment</u></p> <p>There was no evidence that a physical safety and security assessment has been carried out for the Office premises, the delegates' apartments and the hotels used by IFRC staff and visitors.</p> <p>c) <u>Stay Safe training</u></p> <p>Some staff have yet to complete the Stay Safe training in the e-learning platform, despite being a mandatory course.</p> <p>Risk(s): Security/Safety. Cause(s): Compliance; Oversight/guidance.</p>	
<p>Recommendation 12:</p> <p>a) Ensure compliance with Minimum Security Requirements for all locations hosting permanent Federation staff, in Jamaica and Barbados. This include liaising with the Security Unit in the Americas Regional Office and seeking technical advice. Furthermore, establish an Expanded Welcome Security Brief document for all active locations and receiving regular visitors, such as operations in Antigua &amp; Barbuda and Dominica;</p> <p>b) Document the safety and security assessment of the IFRC office premises, delegates houses and hotels used by IFRC staff;</p> <p>c) Remind the compulsory nature of the Stay Safe training to all staff and ensure that all staff have completed the course.</p> <p>Management Action Plan:</p> <p>a) Already done for Antigua &amp; Barbuda and Dominica;</p> <p>b) Technical support will be requested from the Security Coordinator to perform and complete this task. Assessment already conducted for delegate housing in Trinidad. Security of IFRC's office in Trinidad has been significantly upgraded since 2017;</p> <p>c) All the staff has been informed that it is mandatory to complete the Stay Safe training and a deadline given for finalisation.</p> <p>Risk Owner: Head of Country Cluster Office                      Due Date: June 2018                      Priority Rating: High</p>	

B4.2 Security incident reporting

*Due to scope limitation, the internal audit did not include this area.*

C	OPERATIONS MANAGEMENT
C1	Finance
C1.1	<p>Financial management and oversight</p> <p><u>Finance Team capacity vs programme size</u></p> <p>There is no dedicated Finance Manager at the Cluster Office overseeing and providing overall support to the regular CCST programs and the emergency programs. The current finance set-up is composed of two independent teams:</p> <ul style="list-style-type: none"> <li>• Regular programmes supported by a Finance and Administration team composed of three staff; a Finance and Administration Officer, a Finance Assistant and an Administration Assistant;</li> <li>• Caribbean Zika Project supported by a Finance team composed of two staff; . a Finance Delegate and a Finance Officer.</li> </ul> <p>There are areas of concern related to the current CCST Finance team capacity to absorb the work resulting from the scaling up of operations and the separation of the finance functions between two teams rather than having one finance team with complete oversight over the Cluster programmes and Emergency programmes. The inadequate segregation of duties within the Finance and Administration CCST team is currently time consuming and diverting focus away from the core finance function. These observations are also reported in the above sections A1.2 Governance and Oversight, and A2.1 Organisation.</p> <p><u>Finance month end reviews</u></p> <p>In December 2017, the Cluster Office received a visit from its Finance Analyst based in Panama. To avoid duplication of review, the audit scope regarding finance oversight was adjusted. At the time of the audit, corrections and recommendations had been informally communicated by the Analyst to the CCST Finance team, while the analyst final report was still being prepared. The period under the Analyst review was too long, from June to November 2017, because the document check month-end reviews were not timely performed. Consequently, the CCST Finance team was left with corrections to be performed before year end closing, generating a workload bottleneck and an additional pressure.</p> <p>Also, the absence of document check reviews over six months by the Finance Analyst has prevented the timely detection of mistakes and malpractices over time.</p> <p><u>Accounts Payable</u></p> <p>The IFRC Finance Department has developed an accounting process designed to ensure transparency of the accounts payable transactions, including supplier accounts, and the matching principle.</p> <p>Supplier accounts have not been consistently used. This is also a result from service framework agreements not being established with suppliers, which has prevented the creation of a unique supplier code and invoices being processed as expenses instead of processing them through accounts payable.</p> <p>Risk(s): Inaccurate/Late reporting; Fraud/Misuse. Cause(s): Capacity; Compliance; Oversight/Guidance.</p>

Recommendation 13:

- a) Assess the relevance/opportunity of building up the Finance function to an oversight role on all operations in the Cluster Office for better coordination and support. This should be in accordance with our recommendations 2 and 3 in sections A1.2 Governance and Oversight and A2.1 Organisation;
- b) Submit the month end checklists and the monthly supporting documentation to the Americas Regional Office Finance Analyst for a timely review of the finance records. Request that a feedback is provided for each month to ensure that mistakes are timely detected and inappropriate practices are addressed;
- c) Record all procurement for regular suppliers, or ad-hoc suppliers with invoices amounts above CHF 1,000, in the accounts payable sub-ledger, using supplier codes. Before issuing a Purchase Order, the Finance Department verify that the supplier is registered in the supplier master data.

Management Action Plan:

- a) The current distribution of tasks will be reviewed with the aim to have a functional finance unit that is capable to provide effective services and oversight to the cluster office as well as the operations. A visit was done by the Manager, Finance and Administration together with the Senior Finance Analyst who worked with the team to better organise the finance roles, responsibilities and tasks, to work has a "one team" instead of 2 separate teams;
- b) The month end checklist will be provided on a timely manner to avoid delays in the detection of errors that could be solved on a timely manner;
- c) It will be reviewed if there is any limitation that has prevented the staff to open supplier codes. It is normally requested to the Senior Finance Analyst with the respective information. All the suppliers will be registered from now on through the accounts payable module as it is being done in all the other offices in the Americas.

Risk Owner: Head of Country Cluster Office and Finance and Administration Manager

Due Date: September 2018

Priority Rating: High

C1.2 Partner working advances and cash transfers

The IFRC works in partnership with national societies on a working advance system. Our review noted the following:

Working Advances to National Societies (WANS) currency

Due to the absence of bank accounts in CHF currency, the Working Advances to National Societies have been transferred in local currencies, instead of CHF as per IFRC procedures. The Office has initiated a process to convert all current working advances from local currencies into CHF. Guidance for the transition has been requested from the Americas Regional Office and the process is expected to be concluded at the end of the first quarter of 2018.

WANS Reconciliation

There is no systematic mechanism in place to monitor the WANS aged balances and regularly perform reconciliations.

WANS Supporting documentation

A sample of 14 National Society working advance documents (WANS) were selected, among which, 8 files were related to general expenditures and 6 files related to procurement. Out of the 14 selected transactions, 2 files (one from each category) were unavailable for review. The review of the 12 available files noted:

a) Procurement process

A significant improvement is needed on the procurement processes performed. Documents such as Logistic Requisitions (LR), Request for Quotations (RFQ) and Purchase Orders (PO) were missing from files tested. Other documents such as Quotations, Comparative Bid Analysis (CBA) and Goods Received Notes (GRN) were not consistently attached.

*b) Consultancy*

Two WANS tested were related to consultancy fees paid. In one case, there was no Terms of Reference to clarify the nature of the expected deliverables and no nil return declaration of a conflict of interest by the consultant. The terms in the consultancy contract were also incomplete. Information such as the number of working days and the daily rate were missing (a monthly fee was used instead). In the second case, there was no relevant/sufficient supporting documentation to justify the payment of the consultancy expenses.

*c) Per Diems*

One file, among the 7 general expenditures WANS, reported Per Diems paid whilst hosting a workshop. There was insufficient documentation to support the amount of per diem to be applied in that location and the rate that was used to convert the CHF amounts into local currency. It was further noted that Per Diems were paid to all participants, including the ones whose duty station was already in that country and thus, were not entitled to traveling per diem compensation. One attendee stayed in the country for 12 additional days and obtained payment of the full rate per diem (including breakfast) for this extra stay, without further justification being attached to payment.

*d) Mileage*

In one case, mileage costs were reported, but the vehicle log sheets were not appropriately completed. The driver's name, vehicle plate number and signatures were missing.

*e) Incorrect accounts coding*

There were cases of incorrect accounts used, mainly related to confusion between workshop costs and per diems, and consultancy costs versus personnel costs.

Risk(s): Inaccurate/Late reporting; Fraud/Misuse.

Cause(s): Compliance; Resources/Capacity; Oversight/Guidance.

Recommendation 14:

- a) Ensure that any new working advance made are issued, accounted for and reported in CHF, as per IFRC procedures. Working advance balances in other currencies should be cleared/justified and the respective accounts closed;
- b) Prepare an aged analysis of the WANS balances at month end and inform the respective Project Managers of any overdue balance. Monthly reconciliations of outstanding working advance balances are performed in coordination with the programme managers, to ensure reciprocity of balance;
- c) Establish and forward a checklist of all required documentation regarding Procurement, Consultancy, Transport, Workshops and per diem costs. As per the Federation procedure on WANS, Project Managers are reminded to ensure appropriate documentation are provided before validating the report. Insufficient quality supporting documentation shall be returned for re-submission;
- d) Request, if necessary, the Americas Regional Finance Unit support or training to ensure the implementation of the above recommendations.

Management Action Plan:

- a) All the working advances balances were converted into CHF during the year end close. It has not been done before as a pilot project was initiated in the Regional Office and it was agreed that once the process that was implemented was effective, it will be roll out to the offices as of 1<sup>st</sup> Jan 2018. All the Americas offices have working advance balances in CHF including the Caribbean CCST. The transactions will be processed following the new requirements of the Working Advance Procedure;

- b) A template used in the Andean Region CCST will be replicated in the Caribbean CCST to monitor the status of the outstanding Working Advances. It will be shared monthly with all the project managers and specifically with the Head of the CCST as part of the coordination meetings. The project manager and finance staff will coordinate the best method to reconcile the balances. Historically, there has been challenges to get a confirmation with partners in the Caribbean. However, the closing balance reported in the last journal that has been submitted could be an alternative to compare the balance. This practice will be followed up if there is no written or verbal confirmation;
- c) Even though there is a document that lists the expected supporting documents, a checklist will be developed and tailored for these kinds of expenditures. It will be shared in the Region and a proper briefing will be done always at the beginning of each project to explain the budget, project funding agreement clauses, reporting requirements, due dates, supporting documents and reporting templates). If there is any transaction that does not meet these requirements, it will be disallowed, and 30 days will be given to provide the adequate supporting documentation. Otherwise, it will be formally informed of the disallowance of the expenditure;
- d) Training/Support to RO will be requested as deemed necessary.

Risk Owner: Finance and Administration Manager

Due Date: July 2018

Priority Rating: High

### C1.3 Staff working advances

#### Working Advances to Delegate and National Staff (WAD) approvals

Improvement is needed on the approval process for WADs. Five WADs were selected for review and the following was noted:

- WA requests were missing for all files;
- In one case, the mission travel order was not attached;
- In one case, only a cash payment receipt was attached, the invoice was missing;
- In one case, a service has been purchased without quotes being requested or without an established framework agreement with the service provider;
- For two cases, there were no budget holder signatures on the WAD reports;
- In one case, the cash has been issued prior to the budget holder approval.

We another instance of a high value WAD being issued prior to the budget holder's approval. In addition, the amount was extracted from the emergency cash required to react in times of crisis (also refer to Section C1.5 Cash Management).

#### WAD ceiling

Timely reporting and closure of previous WADs is not always guaranteed each month due to long period of absences of the staff and/or budget holders as they travel across the region. At the time of the audit, the finance team performed a review of the WADs balances and staff were encouraged to clear outstanding balances, but a proper mechanism to monitor the WADs balances was yet to be implemented. WAD ceilings were yet to be determined.

Risk(s): Inaccurate/Late reporting; Fraud/Misuse.

Cause(s): Compliance; Oversight/Guidance.

#### Recommendation 15:

- a) The Cluster Office Finance Team should take the necessary measures to ensure that the Federations' funds used by staff through the working advance modality remains effective and under control. This includes gathering sufficient justification and required approvals through official IFRC templates/forms, at each stage of the process, for example, purpose, original request, approval, payment, reporting expenditures, reviewing control, accounting, reconciling and clearing of the working advance balances. Unsupported/unreconciling expenses should be charged to and reimbursed by the recipient staff. In addition, immediate discontinuation of the issuing of cash working advances prior to budget holder's approval;



- b) Establish a WAD ceiling based on a cash flow analysis and working advance holders cash needs assessment. In relation to transportation of cash by traveling staff, efforts should be given to anticipate the missions and estimate appropriate and reasonable cash needs.

**Management Action Plan:**

- a) All these observations were discussed during the project manager finance training. The project managers are now aware of what is expected from them and what will be the treatment according to the situation to ensure compliance with the financial procedures;
- b) The establishment of a ceiling based on historical data can be a way to proceed. However, it will depend on the transactions to pay and the amounts which may vary from mission to mission. Right now, the project managers should provide a detailed list of the estimated expenditures that they will incur to get the line manager's approval or not. However, the amount can be assessed with a proper planning to decide what is the most secure and efficient way of transporting or sending the funds.

Risk Owner: Finance and Administration Manager

Due Date: July 2018

Priority Rating: High

**C1.4 Bank account management**

Opening/Closing Bank accounts

The Country Cluster was working bilaterally with a Partner National Society (PNS) via a signed Integration Agreement. The PNS left the country at the end of 2017 and yet, its two bank accounts that were opened by the Cluster Office on their behalf, were still facing challenges for the closing process. Correspondence between the CCST Office, the Regional Finance Unit in Panama, Geneva and the PNS representatives has been ongoing, without being able to close the accounts. The process stalled due to the signatories on the account being outdated; signatories had left without a handover of banking responsibilities, and treasury managers at the Secretariat in Geneva are not recognised by the bank in-country. Similarly, the denial of recognition of the Geneva Secretariat authority was generating similar constraints, since October 2017, to open a new IFRC CHF bank account in-country.

Payment processing

The Finance team has been issuing payments for programme managers upon request, at any time of the day, as an "emergency". Furthermore, the strict and limited banking hours in country can lead to payments not being processed as fast as expected. The lack of coordination and treasury planning, both from project managers and the Finance team has resulted in inefficient payment processing.

Risk(s): Partnerships/Reputation; Inefficiency.

Cause(s): Oversight/Guidance.

**Recommendation 16:**

- a) Ensure, at any point in time, that signatories and interlocutors for the bank accounts are updated, which includes timely liaison with the Treasury Unit in Geneva for the removal and adding of signatories. Perform reconciliations (at least once a year) the reconciliation of signatories registered by the bank, by obtaining a confirmation letter, and ii) reconciliation of those confirmation letters with the signatories' data register kept by the Treasury Unit in Geneva;
- b) Mechanism is established to ensure that programme managers plan their treasury needs. Furthermore, the finance team should establish a treasury schedule of opening and closing times throughout the working week, to allow prioritisation and timely payment processing.

Management Action Plan:

- a) We agree with the recommendation even though the American RC has been an exceptional case considering all the effort involved to remedy this situation;
- b) The matter will be explained to the project managers, so they can ensure the adequate planning of payment requests to avoid these kinds of issues. Besides, a weekly payment schedule will be established (2 payments per week within certain hours), like the one used in the ARO.

Risk Owner: Finance and Administration Manager

Due Date: June 2018

Priority Rating: Medium

C1.5 Cash management

Petty Cash Policy

A petty cash policy has not been established for the Cluster Office. The Cluster was awaiting the Finance Analyst to share a draft Petty Cash Policy, since her visit in December 2017. However, at the time of the audit, the draft Policy was yet to be received.

Surprise Cash Counts

Surprise cash counts are not regularly performed and documented. The last surprise cash count was performed in December 2017 during the Finance Analyst visit.

Emergency Cash

a) Level of Emergency Cash

The Cluster Office holds emergency petty cash. The decision to hold this emergency cash was justified by the need to deploy staff at short notice to support emergency operations within the region as well as facing various urgent needs of cash. However, there was no documented risk analysis performed to justify the level of contingency cash.

b) Misuse of Emergency Cash

The emergency cash has been used for non emergencies, since the cash was used to compensate the restricted bank office hours in country and the insufficient treasury planning at the office.

Cash Custody

a) Safe management

A safe inspection has been performed as part of the audit and the following was observed:

- The Office is using a new safe since the last quarter of 2017. A robust process of safe keys and combination holding has not yet been established to secure the access to the safe including segregation of duties.
- Two unused cheque books need to be decommissioned.

B) Cash box management

The Office is operating with one petty cash box. This was not being effectively controlled.

Risk(s): Fraud/Misuse; Asset/Financial loss.

Cause(s): Compliance; Oversight/Guidance.

Recommendation 17:

- a) Finalise the Petty Cash Policy. The Policy, among other things, should document the processes to perform and record surprise cash counts;
- b) Perform a security risk and needs analysis about the current level of contingency/emergency cash. The need of holding an emergency petty cash in such amount is assessed in consultation with the Americas Regional Office and possible alternatives (for e.g. reducing the amount) are considered. Ensure the Emergency cash is solely used for emergencies and not to cover gaps in the daily treasury management;
- c) As per the Banking and Currency procedure, establish a clear and robust mechanism to ensure adequate segregation of duties in relation to the safe combination and keys access, as well as the handover process of the cash/key/combination holders during absence or leave.

Management Action Plan:

- a) The Americas Regional Office Policy has been shared with the Caribbean CCST, so they can use as a model for their policy. It is expected the completion by May 31<sup>st</sup>, 2018 for the final approval of the Head of the CCST and submission to the auditor before the established deadline;
- b) The current limit reflects the approaching hurricane season. The amount will be reduced in early December, after the hurricane season will end. Steps will be taken to ensure that the funds for the emergency are ONLY used for delivering cash related to emergency operations, and not for covering gaps in the daily treasury management or oversight due to inadequate planning and foresight;
- c) The segregation of duties as per the procedure will be reviewed again to ensure the roles of each staff complies with the procedure. This was completed in May 3, 2018 and documented. The other measures will be put in place following the auditor's recommendation.

Risk Owner: Finance and Administration Manager

Due Date: July 2018

Priority Rating: High

C1.6 Finance supporting documentation

A sample of 48 transactions were selected for testing to assess its completeness, accuracy and if adequate supporting documentation was attached to substantiate the transaction. The results of 28 transactions review, related to Procurement, WANS and WAD have been already presented in the respective sections of this report. For the remaining transactions, inconsistencies were noted in relation to the quality of supporting documentation retained

Risk(s): Inaccurate/Late reporting; Inefficiency.

Cause(s): Compliance; Resources/Capacity.

Recommendation 18:

A reminder is sent to all staff regarding the required validation and approval signatories for transactions. This should include ensuring that all expenditures or journal entries are processed only when requirements are met:

Management Action Plan:

We agree with the recommendation.

Risk Owner: Finance and Administration Manager

Due Date: July 2018

Priority Rating: High

C2	Human Resources
<p>C2.1 Labour Law, Staff Regulations and Contracting</p> <p><u>Retrenchment and Severance Benefits</u></p> <p>The calculation of due severance benefits in case of termination of contracts has not been performed and thus, not provisioned. In late 2017, the Office had to pay severance benefits to staff that had never been provisioned.</p> <p><u>Housing Policy</u></p> <p>Housing guidelines are expected to be in place and shared with relevant staff for all locations under the scope of the Cluster Office, wherever accommodation is provided by the IFRC. Housing guidelines are yet to be established for the Cluster Office and any other office in the Region, where accommodation is being provided (at least in two different locations in the Caribbean – Trinidad and Tobago and Jamaica).</p> <p>Risk(s): Legal liabilities; Asset/Financial loss. Cause(s): Oversight/Guidance.</p>	
<p>Recommendation 19:</p> <p>a) Calculate and provision the respective staff severance benefits to ensure financial liabilities related to staff under fixed-term contracts are appropriately accounted;</p> <p>b) Prepare Housing guidelines for the locations where IFRC paid accommodation is being provided to staff (i.e. Trinidad and Tobago and Jamaica) and ensure they are submitted to, and approved, by the Americas Regional Office in Panama.</p> <p>Management Action Plan:</p> <p>a) A review will be done of the labour law to know the calculation and to start booking a provision;</p> <p>b) A housing guideline will be prepared with the support of the Administration Unit based in the Regional Office within the due date.</p> <p>Risk Owner: Head of Country Cluster Office      Due Date: September 2018      Priority Rating: Medium</p>	
<p>C2.2 Recruitment</p> <p><i>Due to scope limitation, the Audit did not include this area. Refer to section C2.6 Personnel files.</i></p>	
<p>C2.3 Starters, leavers and performance management</p> <p><u>Staff Development</u></p> <p>It was noted limited completion of compulsory and important e-learning trainings such as the “Code of conduct”, the “Stay Safe” or the three available courses on “Fraud and Corruption Prevention” for staff, managers and operation staff.</p> <p>Risk(s): Inefficiency. Cause(s): Compliance; Oversight/guidance.</p>	

Recommendation 20:

Ensure that all mandatory and relevant training is completed by all staff.

Management Action Plan:

The recommendation will be implemented. A verification will be done with the HR Unit about all the mandatory courses and the status, for all the staff in the Caribbean CCST, Jamaica and Barbados.

Risk Owner: Head of Country Cluster Office

Due Date: June 2018

Priority Rating: Medium

C2.4 Payroll and remuneration

Salary scale

The Office salary scale for national staff has not been reviewed on a regular basis nor benchmarked with similar organisations working in country.

Risk(s): Asset/Financial loss; Inefficiency.

Cause(s): Procedures/Guidelines; Oversight/Guidance.

Recommendation 21:

Perform and document a salary scale benchmark with similar organisations working in country. The salary scale is reviewed and updated accordingly in coordination with the Americas Human Resources unit in Panama.

Management Action Plan:

We will coordinate this task with the Human Resources Unit in Panama and with the local HR firm.

Risk Owner: Head of Country Cluster Office

Due Date: September 2018

Priority Rating: Medium

C2.5 Leave management

Annual leave applications are made using printed leave forms for national staff and using MyHR for international staff.

a) Leave requests

The filing system for the national staff leave requests was established per year and month of the request, and not by staff or by the actual dates of the leave.

b) Leave monitoring table

A national staff leave monitoring table is maintained in Excel. There is no automated mechanism in place to reconcile the balances on the table with the leave request forms.

Risk(s): Inefficiency; Fraud/Misuse.

Cause(s): Compliance; Oversight/Guidance.

Recommendation 22:

- a) Enhance the practices of managing leave requests by harmonising the forms used among staff and establishing an accurate filing system allowing reconciliations between balances carried from one form to the next form. All leaves, including non-deductible ones should be approved by the respective line manager;
- b) Secure the leave monitoring table by implementing 'square controls' formulas and lock formulas where relevant. Perform a monthly reconciliation between the balance appearing in the table and the latest staff leave request form. Further, the table should be shared on a quarterly basis with line managers for review and signature. Staff should be encouraged to respect the limit threshold of balance carried forward authorised by the National Staff Regulations by taking necessary time off during a calendar year.

Management Action Plan:

- a) We will consult the Human Resources Unit in Panama to replicate a similar process/model in the Caribbean CCST;
- b) Adem.

Risk Owner: Head of Country Cluster Office

Due Date: June 2018

Priority Rating: Medium

C2.6 Personnel files

HR filing system

The personnel files are not indexed and organised according to the IFRC standard filing system. Further, personnel files are currently mixed with other Legal, Administrative and Programmatic documents such as communication with Authorities, insurance policies, project agreements, in a global binder kept by the Finance and Administration unit. In this context, the completeness and confidentiality of HR files were inappropriate.

Valuable information might not be retained and available as per legal requirements, if appropriate filing system is not in place. Furthermore, there is an increased risk that restricted information can be easily accessed and misused.

Risk(s): Inefficiency; Legal Liabilities.

Cause(s): Compliance; Oversight/Guidance.

Recommendation 23:

Adopt the IFRC standard filing system or the one suggested by the National Staff Regulations, to ensure the completeness and confidentiality of HR information. Review and update personnel files to ensure they contain all mandatory information. This should include developing a checklist with the required documents for each personnel file.

Management Action Plan:

We will consult the HR Unit in Panama to ensure consistency in the approach used in the different offices, to be in compliance with the standardized filing system.

Risk Owner: Head of Country Cluster Office

Due Date: June 2018

Priority Rating: Medium

C3	Administration
<p>C3.1 Administrative policies and procedures</p> <p><u>Administration Guidelines</u></p> <p>Considering the upscaling of operations in the region and the increasing number of staff at the office, the Administration function has not yet developed comprehensive Administration Guidelines in relation to services such as visa arrangements, travel support, delegate housing both for the Office and potentially integrated PNS in the future.</p> <p><u>Filing system</u></p> <p>There is no established filing system in place at the office. The Administration function had been tasked to develop a global filing system at the Office and at a final stage a filing database. However, at the time of the audit, the project has yet to be started.</p> <p>Risk(s): Inefficiency. Cause(s): Compliance; Oversight/guidance.</p>	
<p>Recommendation 24:</p> <p>a) Establish administration guidelines, to frame the Administrative support to be provided to all stakeholders. Consult the Administration Unit at the Americas Regional Office for any needed advice;</p> <p>b) Get the implementation of the “filing system project” started as soon as possible by establishing a clear action plan and timeframe.</p> <p>Management Action Plan:</p> <p>a) We agree with the recommendation. Administration guidelines will be established;</p> <p>b) We agree with the recommendation. Action plan will be established.</p>	
<p>Risk Owner: Finance and Administration Manager      Due Date: June 2018      Priority Rating: Medium</p>	

C4	Asset and inventory
<p>C4.1 Asset/inventory management and safeguarding</p> <p><u>Inventory management</u></p> <p>An inventory register has been established for the office equipment and furniture, including IT equipment. However, not all inventory items are tagged, and regular inventory counts have not been performed and documented by someone independent from the holder of the register. Sample checks are not performed on a regular basis, increasing the risk of missing or non-registered items.</p> <p>Risk(s): Asset/Financial loss. Cause(s): Compliance; Oversight/Guidelines.</p>	

Recommendation 25:

Tag all inventory items with an inventory identification number and update the register accordingly. Review the inventory register to ensure it is accurate, complete and consistent in the information it contains. Perform and document by someone independent from the register holder a sampled physical verification of the inventory items on a regular basis (at least once a year).

Management Action Plan:

The recommendations will be implemented with the support of the Regional Office.

Risk Owner: Finance and Administration Manager

Due Date: June 2018

Priority Rating: Low

C5	Information systems
----	---------------------

C5.1	IT management
------	---------------

*Due to scope limitation, the internal audit did not include this area.*



## 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 provided</i> 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 organisation.
	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
OIAI	Office of Internal Audit and Investigations
PNS	Partner National Society