



International Federation  
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT  
AND INVESTIGATIONS

INTERNAL AUDIT OF THE  
RUSSIA REGIONAL DELEGATION  
REPORT NO. IA-2018-2

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## PART I - INTRODUCTION & EXECUTIVE SUMMARY

### 1. BACKGROUND AND CONTEXT

The European Region includes a IFRC country cluster support team that covers Russia, Belarus and Moldova. The central office of the cluster is based in Moscow, with a satellite office in Minsk and a national staff position funded by the Norwegian Red Cross based in St. Petersburg.

Key 2017 programmes included DREFS/EPAs in response to flooding in central Russia and the migration of people from the Ukraine crisis into Belarus and Russia. The key development area is IFRC support for capacity building of local National Societies in the three countries.

Red Cross movement programmes are currently limited in Russia. Only IFRC and ICRC have presence in the Russian Federation. The introduction of new legislation by the Russian Parliament has resulted in the reduction of the number of humanitarian organisations.

The incumbent Head of Regional Representation (Russia, Belarus and Moldova) started in September 2017 and reports directly to the Director of the Europe Regional Office (ERO). Five national staff are based in Moscow, two in Minsk and a further staff member in St Petersburg. One consultant is also working in the Moscow office.

The total budget for implementing 2018 plans is CHF 1.2million and strategies for implementation is CHF 0.1million through an ECHO funded project. The Belarus office budget is only supported on a thematic basis.

This scheduled audit was part of the 2018 Internal Audit plan approved by the Secretary General.

### 2. OBJECTIVES OF THE AUDIT

The purpose of the audit is to provide management with reasonable assurance on 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 (for example, 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

This report only covers transactions and processes run by staff in Moscow due to the limited number of mission days in Russia (four days only). Programmes related to Belarus and Moldova are limited or are still in a research and development phase and there is minimal funding. The scope of the audit of the Moscow delegation included a review of the following, using a risk-based approach to prioritise audit activities:

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

1. Risk management (including the process to identify, assess and manage risk), governance and oversight.
2. Coordination and organisation of work, including communication.
3. Legal risk management including contracts management, and integration and /or status agreements.

*B) Programme and partnerships management*

1. Programme management (including of Appeals and Disaster Relief Emergency Funds, and planning, monitoring, evaluation and reporting systems).
2. Resource development, including resource mobilization, pledge management, and partnerships.
3. Logistics, procurement and fleet management. Also including transportation, warehousing, stock management and distribution of relief goods.
4. Security management.

*C) Operations support*

1. Finance, including treasury, bank accounts and cash management, expenditure reviews, and working advance management. Accounting and reporting.
2. Human resource matters, including payroll, recruitment, performance evaluations and security.
3. Administration, including filing and office management.
4. Assets and inventory.
5. Information systems.

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

## 4. EXECUTIVE SUMMARY

### 4.1 Conclusion

A basic control framework is in place to meet simple office requirements in Moscow, but there are deficiencies in the office set up and challenges in country inherited by the current Head of Regional Representation (Russia, Belarus and Moldova). Therefore, the Office of Internal Audit and Investigations assessed the overall level of internal control environment as being limited. As such, the achievements of the objectives are at risk if the required mitigation plans are not implemented.

Much more can be done proactively by staff to improve efficiency and effectiveness, ultimately reducing overall management effort and cost. Having the same employees in position for a long time has led to stability, but there has been minimal progress in the development of processes and systems. Some of this is driven by the Russian working environment, creating extra administrative burden, but there has been limited challenge of the status quo.

Any future scale up of activities may not be supported by the existing control framework, and inherent risks (political environment, fraud & corruption and capacity of partners within Russia) would be a major threat to progress in helping beneficiaries. Significant capacity issues in the National Society has resulted in high risk. Closer monitoring and control by the delegation is needed over funds that are allocated, particularly for DREFs or Appeals.

There are significant risks linked to the future of the office due to the current lack of external funding and increasing overheads. The new Head of Regional Representation (Russia, Belarus and Moldova) needs support to increase professionalism in the office by encouraging staff development to attract partner interest, improve reliability, urge Russian Red Cross development and to meet the high expectations of management in the Europe Regional Office.

#### 4.2 Summary of recommendations

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

SECTION	Recommendations		
	High Priority	Medium Priority	Low Priority
<b>OVERSIGHT AND RISK MANAGEMENT</b>			
A1 Risk management, oversight and monitoring	-	1	-
A2 Organisation, coordination and communication	1	1	-
A3 Legal	-	1	-
<b>PROGRAMME AND PARTNERSHIP MANAGEMENT</b>			
B1 Programming, planning, monitoring, evaluation, and reporting	-	1	1
B2 Resource development and partnership/pledge management	1	-	-
B3 Logistics, procurement and fleet	1	-	-
B4 Security	-	-	-
<b>OPERATIONS SUPPORT</b>			
C1 Finance and accounting	1	1	-
C2 Human resources	1	2	1
C3 Administration	-	-	-
C4 Assets and inventory	-	-	1
C5 Information systems	-	1	-
<b>TOTAL AUDIT RECOMMENDATIONS</b>	<b>5</b>	<b>8</b>	<b>3</b>

#### 4.3 Summary of key findings

##### *Areas for improvement*

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	4	
b)	Efficiency	1		1
c)	Asset Safeguarding	3	4	1
d)	Reporting			1
Total		5	8	3

The delegation all attended the audit feedback meeting and were positive in reaction to the importance of risk management. As a result, we saw a passion to improve and remove the barriers that have prevented key developments in the past.

Actions in this report will help improve the control environment. They are only achievable with the full support of the Europe Regional Office, especially with the positioning of the Russian Red Cross and the inherent risks in Russia. The key areas are noted below:

- **Strengthening the IFRC strategic position:** Working through and with the Russian Red Cross is a strategic and logistical challenge. Development of the National Society is only gradual which results in a high risk system that already exists in a high risk environment. IFRC should continue to maintain its own strategic intent by ensuring its mission is prioritised by using modalities, as agreed with the Russian Red Cross,

that are proven to work. This includes ensuring the Head of Regional Representation has the support to make these decisions. Effectiveness high risk

- Spare capacity in the delegation - The reduction of programmes has freed time for support staff in Moscow, which they could use more constructively and challenge themselves and colleagues. Staff will need encouragement from management to do this through task delegation and improved personnel motivation, self-improvement and monitoring (which has previously been limited). There needs to be adjustments to refresh the professionalism seen in the office, but this should be constructive, not destructive and create new risk. This is even more important if the Head of Regional Representation (Russia, Belarus and Moldova) is successful with future fundraising and needs an adept and experienced team to support implementation. Long term targeted resource planning will bolster the level of skill and professional acumen. Efficiency high risk
- Risk of immediate change - Any quick reactive change to the office set up will come with significant risk. This situation has been allowed to develop over time. Short term savings may be lost over the long term, as inputs, such as staff, systems, historic knowledge and professional and personal networks could be lost. The assessors should analyse the delegation structure based on risk, alongside any cost benefit analysis. Efficiency high risk
- Translation contracts - We raise concern over translator contracts. This had already been identified by the Europe Regional Office. This issue will require further follow up. Asset safeguarding risk
- Procurement – Processes used during the 2017 DREF created significant risk around the use of IFRC funds. This has been made more difficult to assess due to the Russian language and the incomplete documentation received when planning or completing purchases. Better monitoring and review is needed to reduce this risk for any future significant procurement and financial review process. Asset safeguarding high risk (two recommendations in the report)
- Office environment - One area that needs resolution is the decision on the office accommodation. For IFRC, a change in accommodation will decrease many risks for example, security, the unworkable office environment, lack of space and lack of confidentiality. However, a move could be a catalyst that makes team members re-assess their reasoning for being part of the delegation. Effectiveness medium risk

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

**REPORT NO. IA-2018-2**

## SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	<b>RISK MANAGEMENT, OVERSIGHT AND MONITORING</b>
<p>A1.1 Risk Management</p> <p><u>Risk identification, Assessment and Management</u></p> <p>Four strategic risks have been recorded in the 2018 operational plan, but more is needed to truly analyse risk when delivering delegation objectives and functions. There is no delegation risk register.</p> <p>Staff are aware of key risks, but have never had the responsibility to directly monitor risk. Key risks had been fully managed by the previous Head of Regional Representation. Risk monitoring and mitigation ownership are duties that staff should be performing as local 'managers'. There has yet to be a transparent risk assessment involving staff, who can be tasked with developing actions.</p> <p>Risk(s): Ineffectiveness</p> <p>Cause(s): Resources/capacity; organisational culture</p>	
<p>Recommendation 1</p> <p>a) Risk management practices are formally introduced in the Russia office, with risk mitigation actions developed in a risk register. Risk ownership should be allocated to team members.</p> <p>b) The risk register is regularly monitored and updated (at least every six months) at team meetings to ensure that key risks are understood and being managed.</p> <p>c) This risk register should also be shared with the Europe Regional Office, as risk will also relate to the development of the office and to support services.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> <li>• These recommendations will be adapted with the team and followed up twice a year. A risk management template has been shared and is now available.</li> <li>• The register will also be shared and followed up with the Europe Regional Office (ERO) for any development support for the office, which might be requested.</li> </ul> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)</p> <p>Due Date: October 2018 <span style="float: right;">Priority Rating: Medium</span></p>	

A2	<b>ORGANISATION, COORDINATION AND COMMUNICATION</b>
<p>A2.1 Reporting Lines, Roles and Responsibilities</p> <p><u>Roles and Responsibilities (in view of the current set up and programmes)</u></p> <p>The volume of transactions and daily demands on staff has reduced over time. The IFRC and ICRC are the only movement representatives in the Russian Federation, alongside the National Society. Previous Partner National Societies (PNS) and donors have pulled out of Russia, along with funding streams. Also, there has been a limited number of disaster and emergency appeals. At the time of audit, the delegation had one project in progress, reliant on the work of isolated consultants in the field. Limited opportunities are likely to continue due to the 2017 and 2018 Russian political environment. However, there are good opportunities available for a functional office).</p>	



At this specific point, there is not enough work for members of the delegation as support staff. Two staff members are 'managers' yet do not oversee other staff and have minimal programmatic input. The amount of effort required by support services has reduced.

We observed staff 'downtime' and duplication of effort during the visit:

- The Administration Manager role has crossover with the Senior HR/Admin officer.
- The Driver undertakes administration tasks, but these are limited.
- The reduced amount of paperwork that is now being processed has resulted in tasks being completed quickly or longer than expected;
- A limited number of contracts require monitoring.

Staff have made efforts to fill time with additional tasks (helping with relief operations, site visits for monitoring). Yet, none of these tasks are management duties and directly help the strategic future of the office.

We found that staff have evolved into this state of being. There is a lack of challenge in the roles and a historic lack of investment in personal development ( training and basic performance targets) which has impacted motivation. This is also displayed in attitude, as we noted a general lack of formality. The member of staff based in St Petersburg is distant from the delegation and is integrated into a bilateral programme. She remains self-sufficient but rarely interacts with the Moscow office, so her role could not be properly assessed.

#### Risk of Changing Structures

However, there are high risks in adjusting the existing staff structure. From our review, job descriptions that have been assigned are being fulfilled and performance has been assessed as acceptable in previous appraisals. There would be additional change risks such as time to make adjustments, legal advice and HR costs, which could counterbalance any potential savings. Segregation of duties and quality monitoring is also very important and changes could increase the risk.

There has not been a resource development plan which ties into making efficiencies and improvements. Productive staff should be given the opportunity to develop as true managers. This should include future staff opportunities if there is clear progression with the development plans.

Management were in the process of assessing options to decide the best delegation set up during quarter 2 of 2018 and the unique circumstances requires full assessment of the risk. The assessors may miss critical issues if the review of the delegation structure is not based on risk, alongside the cost analysis.

Risk(s): Inefficiency, partnership/reputation, ineffectiveness,

Cause(s): Resources/capacity; organisational culture

#### Recommendation 2

a) Clear cost benefit analysis is required for all options with regards the staff structure, with documented advice from experts on potential future scenarios and comparison of change costs and savings (such as the impact of a sudden need to scale up).

b) A long-term resource development plan should be developed linked to the key objectives of the delegations (including working on funding opportunities, improving National Society capacity and expertise).

c) The performance and appraisal process should be used to improve the effectiveness of the delegation and making cost saving targets as a motivator, linked to a long-term resource development plan.

Staff that do not want to develop against clear self-improvement targets or do not meet those targets at the key appraisal points should legitimately be placed on performance measures.

**Management Action Plan:**

- For A and B recommendations, support will be needed from ERO, Finance and HR.
- Recommendation C will be considered part of the HR process.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018

Priority Rating: High

Office Accommodation

The Moscow office has reduced in size over time. Three small rooms accommodate five members of staff (plus a consultant). Facilities are an issue with office space confined by large cabinets and equipment. The Finance Manager, Admin Manager and Driver share an office which is around 20-25m<sup>2</sup>. The lack of formality is driven by the office appearance and the quality of the fixture and fittings. The Head of Office has a separate room, but this is used by the Russian Red Cross for meetings.

Safety equipment is provided by the National Society, but its effectiveness is unknown. No drills or evacuation tests have been recently undertaken.

The professionalism expected cannot be met by the current facilities. The office condition may be seen negatively by visitors.

Ultimately, by staying, the likelihood of improvement in staff and efficiencies may reduce, but a move may result in isolation from the Russian Red Cross. This is critical to the future of the delegation; either decision will result in new risk to be managed.

Risk(s): Ineffectiveness, inefficiency, security/safety

Cause(s): Resources/capacity

**Recommendation 3**

A SWOT analysis is created on office accommodation options, based purely on what the IFRC wants from the future Moscow delegation. Assessment should take account of consequences (of staying or moving) and note actions to limit the impact.

**Management Action Plan:**

- Agreed, the involvement of the ROE Admin Manager in the creation of the SWOT analysis is important.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018

Priority Rating: Medium

A3	LEGAL
<p><b>A3.1 Legal Matters</b></p> <p><u>E-Contract Database</u></p> <p>Contracts and agreements are held and maintained in different units: Human Resources, Administration and Programme leads within the National Society. However, contracts have not consistently been prepared and submitted for validation and approval on the e-contract database (for example consultancy, house rental contracts). The review may not be conducted by individuals with an understanding of Russian or the Russian context.</p> <p>Risk(s): Legal liabilities; asset/financial loss, partnerships/reputation</p> <p>Cause(s): Procedures/guidelines, oversight/guidance</p>	

Recommendation 4

- a) A contract (retainer or call on/call off contract) is signed with a vetted multi-lingual law firm with a clear history of expertise in Russian law, which documents and agrees the services to be provided and respective costs.
- b) Future contracts required by the Moscow office (with exception of personnel contracts) are processed through the e-contracts system to ensure that all required functions validate and provide technical approval. Contracts that could expose the Moscow delegation to significant risk should be also reviewed by Russian legal expert.

Management Action Plan:

- Recommendation A is already completed and implemented.
- We also use the e-contracts system as required. The same law firm as in A can be used review the contracts as part of the review and validation process.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018

Priority Rating: Medium

## SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	<b>PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING</b>
<p><b>B1.1 Programming and Project Management</b></p> <p>The system listing all programmes and projects, still has 18 projects that have been frozen for the Russian Federation. The frozen projects were mainly linked to the closed appeal and were transferred to the cluster code, 8 projects of which are more than 5 years old.</p> <p>Risk(s): Inaccurate/late reporting Cause(s): Compliance, oversight/Guidance</p>	
<p><b>Recommendation 5</b></p> <p>Review and update the list of projects related to Russia in the system. All long standing frozen projects should be closed and the number of open/frozen projects should be limited.</p> <p><b>Management Action Plan:</b></p> <ul style="list-style-type: none"> <li>• Action will be completed by the Finance Manager in the IFRC Moscow office together with ERO Finance department.</li> </ul> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova) Due Date: August 2018 <span style="float: right;">Priority Rating: Low</span></p>	
<p><u><b>Volunteer Incentives</b></u></p> <p>We found that volunteers are being paid incentives using IFRC funds. This is a voucher for electronic/household equipment.</p> <p><u><b>Planning, Monitoring, Evaluation and Reporting (PMER)</b></u></p> <p>As there is only one ECHO programme, independent monitoring of programmes is limited. The Communications Manager oversees the objectives of consultants delivering in the field. Monthly progress reports are returned, but this is not linked to any PMER methodology and mainly lists outputs of the consultants (for example. the number of contacts made by phone). No external review of the impact of programmes has been recently completed (mainly due to the size of the programmes).</p> <p>Risk(s): Ineffectiveness; inefficiency; fraud/misuse Cause(s): Oversight/guidance; resources/capacity</p>	
<p><b>Recommendation 6</b></p> <ol style="list-style-type: none"> <li>a) Encourage phase out the incentive scheme over time and seek better documented alternatives through improved capacity building and reach out to new volunteers.</li> <li>b) All payments should be supported by original evidence (list of volunteers and details) when packaged for expense returns to the Europe Regional Office. Evidence of spot checks should also be made part of the procedure.</li> <li>c) Consultants' impact should be measured related to a PMER framework with independent assessment against set criteria. Measures should be developed independently with support from PMER experts.</li> </ol>	

Management Action Plan:

- All recommendations will be implemented.
- For action C, further support from ERO PMER will be sought.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: October 2018

Priority Rating: Medium

B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT
<p><b>B2.1 Resource Development and Partnership Management</b></p> <p>The Moscow delegation is important as co-ordination is required with the Russian Red Cross (at Headquarter and branch levels) due to the extent of geographic and population coverage.</p> <p>The limited and slow development of control frameworks and Change Strategy of May 2017, has led to a high-risk environment and impacts the quality of project implementation.</p> <p>This has contributed to frustration and has impacted the effective delivery of services to beneficiaries.</p> <p>Risk(s): Ineffectiveness; strategic</p> <p>Cause(s): Oversight/guidance</p>	
<p><b>Recommendation 7</b></p> <p>Future planning should ensure the objectives agreed are prioritised to commence a development plan, e.g. resource mobilisation needs. This is to enable better relationships to develop focused programmes and meet local needs.</p> <p>Management Action Plan:</p> <p>This issue is most important, but also the most difficult challenge for the IFRC delegation, considering the current approach. RM surge capacity may contribute with help from ERO.</p> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)</p> <p>Due Date: December 2018</p> <p style="text-align: right;">Priority Rating: High</p>	

B3	LOGISTICS, PROCUREMENT AND FLEET
<p><b>B3.1 Procurement</b></p> <p><u>Supplier Management</u></p> <p>The Moscow office has not been directly involved in major procurement activities. DREF activities to support flooding victims have been channelled including the mass procurement of bed blankets, linen food and hygiene kits. The total value of physical goods/vouchers for goods for the 2017 DREF expenses in the two regions of Stavropol and Tyumen was for a total of CHF 218K.</p> <p>Detailed planning and processing was fully controlled outside of the IFRC delegation. The IFRC delegation received resulting documentation and sign off, but did not scrutinise the information further.</p>	

Risk(s): Fraud/misuse; asset safeguarding; inefficiency  
Cause(s): Oversight/guidance

**Recommendation 8**

- a) All new projects or programme should have a general assessment related to the procurement of goods and services before commencement. This should include type of expenditure, location, amount in total and per good, fraud risk e.g. regional history experienced by other NGOs. This should inform the delegation on whether extra monitoring controls are required.
- b) If risk is very high, this should be communicated with the Budapest office and Logistics, Procurement and Supply Chain Management (LPSCM) in Geneva for further review and consideration of IFRC to directly control purchasing.
- c) If local purchasing is accepted as the preferred method, extra monitoring controls are invoked where risk is deemed to be high.
- d) Reported procurement risk should be noted by the Europe Regional Office and random checks should ensure this area is covered when undertaking monthly review of financial supporting documentation after any large procurement.

**Management Action Plan:**

- All actions will be taken forward. Involvement and reviews from ERO and LPSCM will be requested (with high risk purchasing).

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018 (on any future large procurement activity through the RRC)

Priority Rating: High

**B3.2 Fleet Management**

One vehicle is being used and no key issues are raised.

**B3.3 Warehouse Management**

The Russia delegation has not recently been involved in direct procurement of stock items for operations, so is not applicable for direct purchasing.

B4

SECURITY

**B4.1 Security Framework**

No security issues have been raised in the last security self-assessment (April 2017) and no problems were experienced or witnessed during the audit visit. Security regulations are current, last updated January 2018.

## SECTION C – OPERATIONS SUPPORT

C1	FINANCE
<p>C1.1 Financial Management and Oversight</p> <p><u>Financial Documentation Processing</u></p> <p>Documentation to support postings onto the finance system is being returned to Budapest on time. However, three issues are raised:</p> <ul style="list-style-type: none"> <li>• Documents are all returned to the Regional office with limited translation. It is difficult for staff in the Budapest office to review the content.</li> <li>• Documents are returned in hardcopy. This costs in paper and postage and takes time to prepare.</li> </ul> <p><u>Expenditure Testing</u></p> <p>A sample of 20 expenditure transactions (representing all document types) were reviewed to assess authorisation, completeness, accuracy and the adequacy of documentation to support entry into the finance system.</p> <p>Overall, expenditures sourced within the delegation are adequately supported and approved, recorded in the appropriate accounts, input into the system at the correct amount and booked into the correct accounting period. Two issues are noted:</p> <ul style="list-style-type: none"> <li>• Key evidence is not translated into English. This also relates to sign off processes. The Head of Regional Representation (Russia, Belarus and Moldova) relies on individuals explaining the details. There are times of urgency therefore little opportunity to fully review the documents.</li> <li>• We found incomplete files (e.g. lack of tender documentation). This gives rise to significant risk and appears that IFRC processing controls are focussed on simple matching exercises rather than the reliability and quality of documents. The Finance Manager validates the accounting and this should include assurance that the set of documents is complete and effectively checked.</li> </ul> <p>Risk(s): Asset/financial loss; fraud/misuse Cause(s): Compliance; oversight/guidance</p>	
<p><b>Recommendation 9</b></p> <p>a) All key documents should be translated into English so the Head of Regional Office can be assured of content and completion of documents. A random check should be undertaken with an independent translator to confirm that the translations are accurate.</p> <p>b) Financial supporting document returns to Budapest should be scanned and shared electronically (e.g. one drive/cloud shared folders).</p> <p>c) Extra checks should be undertaken in addition to the finance verification process at IFRC. A one-page checklist of expected documents, for example, all procurement bid evidence, should be completed and complement Finance validation of the supporting paperwork.</p> <p>d) Any detected inconsistencies or lack of documentation should be raised for extra assurance. If issues continue, this should be immediately flagged with the Head of Regional Representation (Russia, Belarus and Moldova), and Regional Finance for assessment and, where necessary, escalation.</p> <p><b>Management Action Plan:</b></p> <ul style="list-style-type: none"> <li>• All recommendations will be progressed. Where necessary, ERO Finance department will be contacted for assessment and next steps for improved checks.</li> </ul>	

<ul style="list-style-type: none"><li>Action B is already implemented.</li></ul> <p>Risk Owner: Finance Manager and Head of Regional Representation (Russia, Belarus and Moldova)</p> <p>Due Date: August 2018 <span style="float: right;">Priority Rating: High</span></p>
<p>C1.2 Partner Working Advances and Cash Transfers</p> <p>Risks are already raised as part of procurement issues in section B3. No issues are raised with partner cash transfers.</p>
<p>C1.3 Staff Working Advances</p> <p>No significant issues raised with staff advances. The method is also covered in petty cash management below.</p>
<p>C1.4 Petty Cash Management</p> <p>This was not covered in detail due to time limits. Basic exceptions to note:</p> <ul style="list-style-type: none"><li>A petty cash policy is in place and up to date. However, there are minor points to suggest this is a document brought forward over time. It still refers to a 'Finance Officer' relating to previous delegation structures;</li><li>There was no insurance policy in place as referenced in the petty cash policy (See C3 administration);</li><li>There is limited segregation of duties;</li><li>Private cards are being used to transfer cash and pay petty cash expenses under working advances for 'over the counter payments'. This is a risk to the organisation and the individual;</li><li>Petty cash issue and return receipts are not evidence with pre-numbered documents.</li></ul> <p>The list above results in increased risk which requires closer scrutiny considering the potential review of the office set-up and potential location.</p> <p>Risk(s): Ineffectiveness; fraud/misuse</p> <p>Cause(s): Oversight/guidance; resources/capacity</p>
<p>Recommendation 10</p> <p>a) The petty cash policy is adjusted to include the following points:</p> <ul style="list-style-type: none"><li>Update the document with reference to the existing delegation;</li><li>Further review is undertaken by the Head of Regional Representation to randomly check cash withdrawals, cash in the safe and overview the cash postings (with help from the Regional Office Europe Finance Department);</li><li>Ensure the policy explains that the use of cash should be kept to a limit. The Head of Regional Representation should put forward a case for all options to improve cash control and availability to allow an assessment based on risk to be completed.</li></ul> <p>Management Action Plan:</p> <ul style="list-style-type: none"><li>All options regarding cash management will be assessed.</li><li>The petty cash is already a minimum level.</li></ul> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)</p> <p>Due Date: December 2018 <span style="float: right;">Priority Rating: Medium</span></p>



C1.5	<b>Bank Management</b>
<p>Signatories are correctly in place and were changed in time with the arrival of the new Head of Regional Representation (Russia, Belarus and Moldova) for bank accounts. Bank reconciliations are completed and authorised on time.</p>	

C2	<b>HUMAN RESOURCES</b>
<b>C2.1 Consultancy Contracts</b>	
<p>Before arriving to complete the audit, we were informed that the Europe Regional Office had already identified an issue with translation consultants. Historic translation agreements (inherited by the Head of Office) were made outside of the e-contracts system and only local signed requests for payment. This was found by the Regional Office via expenditure reports. This is non-compliance with important authorisation processes that safeguard the IFRC.</p> <p>Risk(s): Asset/financial loss; inefficiency, reputation Cause(s) : Organisational culture; oversight/guidance; compliance</p>	
<p><b>Recommendation 11</b></p> <p>The Head of Regional Representation (Russia, Belarus and Moldova) should ensure all resource planning and contracting of all translation consultants is shared with Regional HR before processing in e-contracts. For important assignments, back up translators should also be contacted and on call.</p> <p><b>Management Action Plan:</b></p> <ul style="list-style-type: none"> <li>• These actions are part of the process and shared with Regional HR.</li> </ul> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova) with Regional HR. Due Date: August 2018 <span style="float: right;">Priority Rating: High</span></p>	
<b>C2.2 Performance Management</b>	
<p>Two points are raised on safety roles and personnel performance:</p> <ul style="list-style-type: none"> <li>• Further risk assessment is required on safety when travelling by road. The risk of accident is high.</li> <li>• The focal point for security has not had any security management training and therefore undermines his position as the local expert.</li> </ul> <p>Risk(s): Security/safety Cause(s): Compliance; oversight/guidance</p>	
<p><b>Recommendation 12</b></p> <p>a) Further road safety issues should lead to formal appraisal and improvement of driving safety. b) The security focal point attends further training and continues to contact security experts as the tensions increase across the region.</p> <p><b>Management Action Plan:</b></p> <ul style="list-style-type: none"> <li>• For action A, overall standards will improve.</li> <li>• Action B will be implemented.</li> </ul> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)</p>	

Due Date: August 2018	Priority Rating: Medium
<p>C2.4 Labour Law, Staff Regulations and Contracting</p> <p><u>Volunteers or interns in the Moscow office</u></p> <p>University students from one university have worked with the Moscow delegation over the past years. The IFRC should widen the opportunities to students attending other universities. This is required by HR policy and shows the work of the IFRC to students from different institutions.</p> <p>Locally the interns are referred to as ‘volunteers’; this could cause confusion as there are different guidelines and protocols. The intern files, inherited by the current HR member of staff, was in disarray. The list of candidates, the selection process and assessment/decision to accept the intern was informal or unclear for each internship. Other key documents required by the Internship Guidelines (January 2017) were not found.</p> <p>Interns are a good source of knowledge and an extra resource if used effectively.</p> <p>IFRC inviting individuals with minimal knowledge with limited background research or review (who are not under contract) creates potential risk and should be managed in a similar way to other personnel.</p> <p>Risk(s): Legal liabilities; reputation, financial/asset loss Cause(s): Compliance; oversight/guidance.</p>	
<p>Recommendation 13</p> <p>The process for employing interns should follow the internal guidelines and ensure:</p> <ol style="list-style-type: none"> <li>A discussion with the HR focal point is completed and documented alongside a formal intern job requisition;</li> <li>Interns are selected on a competitive basis with candidates using the IFRC jobs application process;</li> <li>Use of the internship kit for the selection process;</li> <li>The selection process form is completed including the conflict of interest clause (all relationships/knowledge of the intern must be declared);</li> <li>Clear intern agreement to IFRC policies and simple risk assessment of privileges, such as access to systems or information is completed and noted on file; and,</li> <li>Assessments are performed and logged during and at the end of the internship.</li> </ol> <p>Management Action Plan:</p> <ul style="list-style-type: none"> <li>All actions will be progressed for future internships; the Guidelines for Internship have been received from the auditor.</li> </ul> <p>Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)</p> <p>Due Date: August 2018 ready for future internships</p> <p style="text-align: right;">Priority Rating: Medium</p>	
<p>C2.5 Personnel Files</p> <p>Personnel files are not indexed and organised according to the IFRC standard filing system. The system used has been adopted based on Senior Admin/HR Assistant’s experience with the United Nations.</p> <p>Risk(s): Inefficiency; legal liabilities. Cause(s): Compliance; Oversight/Guidance.</p>	

**Recommendation 14**

A checklist is developed on the minimum documents required for each personnel file and files are indexed accordingly. All personnel files are routinely reviewed by the Senior Administration/HR officer to ensure that they contain all required documents and information.

**Management Action Plan:**

- This action will be implemented.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018

Priority Rating: Low

C3	<b>ADMINISTRATION</b>
C3.1	<p><b>Administrative Policies and Procedures</b></p> <p>No actions are required in this area as policy and procedure is in place where relevant. However, the following notes are made.</p> <p><u>Housing Guidelines</u></p> <p>Housing policy/guidelines are general, but this is low risk and currently only relevant to the Head of Regional Representation. Locating a property for the new Head was a lengthy process, resulting in an extended period in a hotel.</p> <p><u>Service Provider Contracts</u></p> <p>Specific companies are being regularly used to provide basic administrative and support services for the cluster (for example hotels, travel agencies). However, service contracts have now been established with such providers.</p> <p><u>Insurance Policy</u></p> <p>No insurance policy has been in place. This was highlighted in a 2017 Regional Office Administration visit report. Due to the number and value of assets, a local decision was made not to have insurance due to the cost outweighing the benefit.</p>

C4	<b>ASSET AND INVENTORY</b>
C4.1	<p><b>Inventory Management and Safeguarding</b></p> <p><u>Inventory Management</u></p> <p>An asset register covering all office areas has been created. It includes a column recording date of 'last check'. All items had been checked as per the register in December 2017. In best practice, a register is confirmed and signed off by someone independent of the check, to ensure it has been completed to the correct standard, including adjustments made or write offs required.</p> <p>The asset register has basic items, but no asset value or worth. For any new insurance policy (note - this is not currently relevant as per C3.1, but may change in time) or in case of asset loss, an asset value/copies of purchase evidence are normally required to indicate items of highest risk. This confirms the purchase cost or estimated replacement cost. This extra information will be essential if there is a potential transfer of assets to a different office.</p>

Records Management

Extra space is arranged outside of the delegation office for archiving/overspill of information assets, such as files or paper copies. There is no clear list of contents linked to this register or checks of existence, or destruction dates of files. The auditor was told that most files have been destroyed for older projects which calls into question what is being stored and why. A review of what is stored and the move towards less paper should make the need for this space redundant.

Risk(s): Asset/financial loss

Cause(s): Oversight/guidelines

Recommendation 15

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

- a) Perform and document (independently from the register holder) a physical verification of the inventory items at least once year.
- b) Review items in the secondary storage and dispose of unnecessary items. Seek to reduce the number of stored documents (especially those that can be matched against electronically held files) so that this extra storage is no longer required for the future and help reduce cost (but still in compliance with Russian Law e.g. Payroll and IFRC expectations).

Management Action Plan:

- Actions will be implemented as stated.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018

Priority Rating: Low

C5	INFORMATION SYSTEMS
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C5.1 IT Management

Data Management

Historically, there has been a local reluctance to change IT systems, which would have improved control, for example, better system communication, access to information and effective storage. This has not been helped by IFRC central systems being unavailable to the office.

There has been no shared virtual workspace for the delegation. Previously, workstations have been stand-alone and reliant on automated updates and upgrades when available. On arrival, the new Head of Regional Representation was liaising with IT to create a networked structure using existing IFRC cloud technology.

An external hard drive back up has been used to store delegation data and was in the custody of the Administration Manager. The data held on this hard drive has not been assessed. This raises significant risks on:

- Existence of historic key documents;
- Being able to recover a key document quickly in the time of need;
- Clear evidence of past processing;
- No alternative option if the hard drive was to fail;
- Single user control over key data.

Imposed Software

Specific software is provided to the delegation from a single supplier to calculate state contributions as part of payroll. This includes minor call out charges if the software is not working. This system, although necessary, has been imposed on the delegation.

This creates risk around its use, accuracy and unexpected charges. This set up requires regular assessment and monitoring as the software package is run on IFRC computers and may also result in external engineers accessing IFRC assets.

Risk(s): Asset/financial loss; ineffectiveness; inefficiency

Cause(s): Oversight/guidelines; organisational culture

Recommendation 16

- a) There should be assessment and expert advice on the current cluster office IT framework, including the use and risk of third party software and essential upgrades and maintenance.
- b) An assessment of the hard drive is made by an independent to classify existing data by importance and by age (and to ensure no key documents are missing or lost).

Management Action Plan:

- For action A, further advice will be requested from IT experts in ERO.
- For action B, has already been implemented.

Risk Owner: Head of Regional Representation (Russia, Belarus and Moldova)

Due Date: August 2018

Priority Rating: Medium

## PART III - ANNEXES

### ANNEX 1 - RISK RATINGS

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

### ANNEX 2 - AUDIT ASSESSMENT LEVELS

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

### ANNEX 3 – RISKS

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

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

#### ANNEX 4 - CAUSES

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

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

#### ANNEX 5 - ABBREVIATIONS

CHF	Swiss francs
DREF	disaster relief emergency fund
IFRC	International Federation of Red Cross and Red Crescent Societies
ERO	Europe Regional Office
M&E	monitoring and evaluation
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