



International Federation
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS

INTERNAL AUDIT OF THE
UKRAINE COUNTRY OFFICE
REPORT NO. IA-2018-3

AUDIT PERFORMED: FEBRUARY 2018

REPORT TO MANAGEMENT: MAY 2018

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PART I - INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The political crisis that led to the escalation of EuroMaidan protests and the developments in the Crimea and Donbass regions has created a complex emergency situation for the Ukraine. The east of the region remains a conflict zone with Government forces directly engaging with Russian Separatists. There have been regular ceasefires between the two sides since the last Minsk agreement, but daily skirmishes continue. This has led to internally displaced people (IDPs) and further migration from the region to neighbouring countries. These conflict conditions coincided with the increasing needs of Ukrainians for healthcare and disaster response.

The role of the IFRC Ukraine Country Office is to support humanitarian work being performed in country in coordination with movement partners and Government agencies. The Country Office has also led the Ukraine Complex Emergency Appeal since 2013 with direct implementation of projects through the Ukraine Red Cross Society (URCS). Operation plans also highlight the need for National Society capacity development. URCS is a large organisation with 25 regional branches and with sub branches covering more than 600 districts.

The Ukraine is placed 135/180 countries in the 2017 Transparency International corruption index, so inherent financial business risk is high.

Other movement partners present in the Ukraine, include the ICRC, who have operations in the key conflict zones and 7 PNSs, who run bilateral programmes with URCS.

The incumbent Head of Country Office (HoCO) joined in late October 2016 from his IFRC role in Pakistan and reports directly to the Director of the Europe Regional Office. 3 individuals are employed as delegates (including the HoCO), 3 national staff are on seconded contracts from URCS; all are based in Kiev. Consultants have been used on an ad-hoc basis.

This scheduled audit 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 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

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

A) *Oversight and risk management*

1. Risk management (including the process to identify, assess and manage risk) oversight and monitoring.

2. Organisation and coordination, including communication.
3. Legal risk management including contracts management, legal status and integration agreements with Partner National Societies.

B) Programme and partnerships management

1. Programme management, planning, monitoring, evaluation and reporting systems.
2. Resource development and partnerships.
3. Logistics, procurement and fleet management.
4. Security.

C) Operations support

1. Finance, including treasury, bank accounts and cash management, expenditure reviews, working advance management and accounting and reporting.
2. Human resources.
3. Administration, including filing and backups.
4. Assets and inventory safeguarding.
5. Information systems.

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.

The following areas were proposed in the original terms of reference but not reviewed in detail as discussed and agreed with the Head of Country Office due to the size of the Office and source of control.

- Legal: Limited contracts are managed by the Country Office.
- Logistics run by the Country Office: The Office leased one IFRC Dubai vehicle in February 2017. There is no warehouse, no significant levels of IFRC stock or directly issued relief items by the Country Office. However, an overview of procurement was performed during the internal audit.
- Human resources: The number of staff in the Country Office has only recently increased in the last year. The Finance Manager, Administration Officer and Driver are local staff on URCS contracts seconded to the IFRC.

4. EXECUTIVE SUMMARY

4.1 Conclusion

We found that significant improvements had been made to the Ukraine Country Office control framework throughout 2017. Therefore, internal audit can give reasonable assurance on the system set up in 2018. There is still an opportunity to add further controls as the Office expands and builds on progress made, so some moderate improvements are needed in general.

The Head of Country Office (HoCO) has already taken many steps to counter potential procurement issues. This will ensure that IFRC standards are met and tender awards are monitored and made more transparent. This immediate reaction to audit findings in February 2018 shows how much the Office staff understand risk and are prepared to ensure objectives are met.

The closure of the IFRC office in December 2012, as tensions increased in the Ukraine, had major impact on basic controls and attracting funding streams. The slow office set up was a continuing risk to the IFRC, until the arrival of the new HoCO and the essential developments that had been missing in a difficult and uncertain period. Risks included reduced reputation in the field as an important co-ordinator, the unprepared implementation of direct programmes and minimal oversight. Senior management should treat this as lesson learned and ensure this is not repeated in the Europe region.

4.2 Summary of recommendations

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

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

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	2	4	1
d)	Reporting		1	
Total		3	10	2

The Office all attended the audit feedback meeting and were positive in reaction to the importance of risk management. The HoCO had rectified a number of key operation concerns in 2017 and had refreshed key local policies early in 2018 before commencement of the internal audit. Actions in this report will help improve the control environment. The actions are only achievable with the full support of the Europe Regional Office.

Key areas of high risk fall into two categories:

Systems external to the Ukraine Country Office that increased local risk:

- Context analysis - The process to close and start up the Country Office profoundly affected the control environment. The impact is still being felt after two years. This undermined the Complex Emergency programming and could have threatened delivery of the outputs and outcomes. The current team have had to spend time on setting up basic controls over the last year to meet the minimal standards impacting efficiency and effectiveness. The Region should use this as a model case to ensure ongoing contextual analysis is provided with the best knowledge to react quickly and to make the best decisions. (Effectiveness high risk)

Local systems that increase risk to progress and programme implementation:

- Procurement - There are significant weaknesses in the procurement system. Any funds that are processed using this system requires detailed monitoring to prevent potential loss or manipulation of due process. This is an inherent risk linked to organisational issues and are therefore an area of capacity development over time. In the meantime, this report highlights the key areas of concern and the need for risk assessment before a decision is made to plan for mass procurement so that IFRC are satisfied that safeguards are in place. (Asset safeguarding high risk).
- Finance checks - In addition, there is a risk of missing potential procurement issues during the final financial review by the Ukraine Country Office before month-end accounts are closed and supporting documentation forwarded to Budapest. It is essential that a careful review is undertaken to detect errors, non-compliance or irregularities that can be escalated to the Head of Country Office or as necessary. (Asset safeguarding high risk).

PART II - DETAILED OBSERVATIONS & RECOMMENDATIONS

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SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING
<p>A1.1 Risk management</p> <p><u>Risk identification, assessment and management</u></p> <p>There has been an increase in the risk profile over time due to the escalation in the Ukraine crisis and the slow initial response by IFRC. As a result, many subsequent risks materialised around implementation and procurement. These could have been avoided with better preparation and a more stable office.</p> <p>Risk is now being monitored informally. The current Head of Country Office (HoCO) inherited significant risks (for example; a lack of funding, in country movement reputational damage and reduced programming quality) and reacted in a way that has fostered a better future for the office. However, the past and current risks still need to be documented and analysed to show the progress that has been made, the remaining risk and to prevent future repetition of past issues.</p> <p>Inherent risk also exists which indirectly affect IFRC operations, including:</p> <ul style="list-style-type: none"> • The structure of the national society; • Significant funding gaps due to the Government withdrawal of cash support in early 2017; and, • Headquarter land issues and building quality. <p>We also note the high risk of fraud and corruption. The likelihood of fraud is therefore high, and this risk must be combatted with detailed review and oversight (see procurement section).</p> <p>Risk (s): Ineffectiveness; Fraud/misuse funds; Partnerships and reputation Cause(s): Resources/capacity; Organisational culture</p>	
<p>Recommendation 1</p> <p>a) Outline a risk register for both closed and current risks:</p> <ul style="list-style-type: none"> • To help the Head of Country Office assign on-going control mitigations to staff members; • As lessons learned and to be used as a case study by the Regional Office for alterations to any other Offices. <p>b) The risk register should be reviewed at least every six months at a team meeting to record risk change and agree a collective approach on the best mitigations.</p> <p>c) The output of the risk register should be shared with the Regional office for risk oversight, but also linked to any alteration or set up of a delegation/office.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • A Risk Register will be developed and reviewed every six months at a team meeting. The Risk Register will be shared with Budapest Regional Office for risk oversight. • All staff will be geared up with IFRC policies such as Integrity Policy, the Accountability and Transparency Plan of Action, the Fraud and Corruption Prevention and Control Policy and the Whistle-blower Protection Policy . <p>Risk Owner: Head of Country Office Due Date: 30 September 2018</p> <p style="text-align: right;">Priority Rating: Medium</p>	

A2	ORGANISATION, COORDINATION AND COMMUNICATION
A2.1	<p>Reporting Lines, Roles and Responsibilities</p> <p><u>Organisation of the Ukraine Country Office over time.</u></p> <p>The withdrawal of the IFRC delegation and closure of the office at the height of the Ukraine crisis shows that there was an incomplete context analysis and limited strategic vision. There was a lack of clear 'futureproofing'. It was logical and could be foreseen that the on-going crisis would either accelerate or expand to other districts, having effects on all areas of the Ukraine and creating new beneficiaries and internally displaced people (IDPs). The immediate scale up of operations by the ICRC and several PNSs was also a clear indicator.</p> <p>There was inconsistent oversight or support of the Ukraine Country Office during this period that allowed issues to continue. Other crisis programmes in the Region may have detracted attention away from the issues in the Ukraine. This position was inherited by the current HoCO who rescued a failing Office. The HoCO has since repositioned the IFRC in country as a better co-ordinator, National Society partnership lead, attracting new resources (which have been invested in staff and systems) and creating a better control environment.</p> <p>We note that a new guide for opening or closing offices has recently been issued in 2018 and is a step towards prevention of the situation experienced in the Ukraine. However, decision making still needs to be driven by a real-time view and prediction models by individuals who have been monitoring developments first hand.</p> <p>Risk(s): Ineffectiveness; Inefficiency Cause(s): Resources/capacity; Guidance</p>
	<p>Recommendation 2</p> <p>Ongoing context analysis should be guided by field delegations/offices. An updated context analysis should be documented and reported to senior management to help informed decision making, particularly in unstable contexts where environmental changes and their effects on potential beneficiaries increases the need for IFRC co-ordination.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • Although we carry out context analysis on quarterly basis, more regular context analysis will be carried out and the results will be shared with the Regional Office. • Field Trip Reports will be used by staff visiting the field operations and the outcomes will be utilised during analysing the context and the environment. <p>Risk Owner: Regional Director for Europe Region with the Head of Country Office Due Date: December 2018 Priority Rating: High</p>
A2.1	<p>Reporting Lines, Roles and Responsibilities continued</p> <p><u>Current Country Office Roles and Responsibilities</u></p> <p>The current Office personnel structure has clear roles, responsibilities and reporting lines. Staff understand their roles and there is adequate segregation of duties.</p> <p>There are 3 staff members seconded to the IFRC under URCS national staff contracts which creates risk around work expectations, benefits and meeting IFRC standards and policies.</p> <p>Risk (s): Partnerships/reputation Cause(s): Resources/capacity; Guidance</p>

Recommendation 3

IFRC staff contracts with URCS are monitored including the need to review key transactions controlled between IFRC and URCS.

Management Action Plan:

- Head of Country Office to discuss the matter with URCS management and take appropriate actions
- All staff familiarise themselves with the Integrity Policy, the Accountability and Transparency Plan of Action, the Fraud and Corruption Prevention and Control Policy and the Whistle-blower Protection Policy.

Risk Owner: Head of Country Office

Due Date: August 2018

Priority Rating: Medium

A3	LEGAL
<p>A3.1 Contract management</p> <p><u>Legal Advice and Agreement</u></p> <p>A power of attorney agreement is in place and is up to date, giving key advice on legal matters when requested. A strong status agreement is in place. This contract took a decade to be agreed in Ukraine national statutes. There was a risk that the closure of the office could have jeopardised this agreement.</p> <p><u>E-Contracts</u></p> <p>Members of the Country Office have experienced significant past issues with the e-contract system. We also witnessed these issues whilst on site when reviewing PNS integration agreements and when extending budgets across fiscal years. Issues include:</p> <ul style="list-style-type: none"> • Delays due to the review process: The local team does not know who will receive the review request. The alternation of review staff makes it difficult to follow up. • Availability of staff: The field team do not know who to assign tasks to if not automatic. When delegated, the review has been assigned to staff who need time to understand the contract and the context. • Extensions to existing contracts: Extensions to agreements have required a new engagement within e-contracts, rather than adding to existing documents as additional approval (i.e. if there is a donor fund carry over to a new year, this is effectively the same agreement, but the budget for the new year is required to be processed again). • Number and seniority of reviewers: E- contracts has improved from previous versions, but there is still some confusion and doubt on the logic in the system (whether the sign off will automatically be escalated senior management level). This is a barrier to progressing agreements which could have a detrimental effect on programme delivery. <p>Risk(s): Inefficiency; Ineffectiveness Cause(s): Compliance; Procedures/guidelines</p>	
<p>Recommendation 4</p> <p>a) The Country Office seeks a list of clear contacts in the Regional Office/Geneva Secretariat so that future e-contract issues can be escalated and resolved quickly. There should be an assigned individual who is automatically contacted to ensure the authorisation process is swift.</p>	

b) The HoCO shares the contract approval matrix with staff and discusses potential bottlenecks and gives clarity on sign off processes and expectations to prevent delay. Any future delay should be escalated straight relevant senior manager.

Management Action Plan:

- Head of Country Office to discuss the matter with Regional Director of Europe and seek a list of clear contacts in the Regional Office/Geneva Secretariat responsible for e-contract.
- The HoCO to share the contract approval matrix with staff and discusses potential bottlenecks and gives clarity on sign off processes.

Risk Owner: Regional Director for Europe with the Head of Country Office

Due Date: July 2018

Priority Rating: Medium

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING
<p>B1.1 Programming and Project management</p> <p><u>Programme Appeal</u></p> <p>The Ukraine Complex Emergency Appeal attracted a sum of CHF 3.7million. This did not meet the request of CHF 19.9million. The fact is that the Office would not have had the capacity or be able to immediately scale up to oversee and control CHF 19million. The scoping mission also raised serious concerns on financial management and systems. Even with CHF 3million, the Office did not have the structures to fully oversee delivery of the programme. The funds were also unearmarked, which gave IFRC the freedom to programme, but also resulted in a lack of clear direction.</p> <p>The resulting operational plan had no baseline pre-assessment, so had no reference point to be able to measure impact. The URCS did not have the capacity, tools or experience to support this. There is no guarantee that the funds were used to help the most vulnerable at the right time in the correct manner.</p> <p>This resulted in the local management refocusing the programme and trying to recover from the inadequate initial approach. The Cash Delegate, when acting up into the role of Country Officer, immediately made changes due to this uncertainty, including limiting the number of districts being supported and improving the overview and monitoring by regular visits and follow up on IDPs.</p> <p><u>URCS capacity</u></p> <p>The URCS have had organisational reviews to focus self-development, for example an OCAC assessment in 2012. No further analysis or supplementary plan was made by the IFRC to urge development until the arrival of current HoCO and the creation of a 'Concept Note' in 2017.</p> <p>Prior to this, the IFRC Country Office concentrated on the Ukraine Complex Emergency Appeal programme implementation, which was already flawed due to the key capacity issues raised by the OCAC. In 2017, there is an improved environment to encourage URCS development due to the impact of the new Director General.</p> <p>This is an inherent risk linked to Recommendation 1 and also requires the need for tighter monitoring controls in Recommendation 6, especially around procurement.</p> <p>Risk(s): Ineffectiveness; Inefficiency; Fraud/Misuse Cause(s): Oversight/Guidance; Resources/Capacity</p>	
<p>Recommendation 5</p> <p>A new capacity review is scheduled and completed to reassess current strength and weaknesses with support from the Regional Office to analyse progress made to date and key areas that requires to be prioritised (e.g. procurement). The impact of the work should be clear and transparent to help reduce the risk for partners in an agreed timeframe. The report should also note barriers to progress.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • Head of Country Office to discuss the recommendation with URCS leadership and IFRC Europe Region. • Regional Organisational Development Coordinator will be invited to analyse the progress of URCS development and provide relevant recommendations. <p>Risk Owner: Head of Country Office Due Date: December 2018</p> <p style="text-align: right;">Priority Rating: Medium</p>	

Monitoring and Field Reports

There has historically been no monitoring tool (e.g. a one-page checklist) to support regular visits from staff when assessing the operations and ensure goods/services or activities have been adequately delivered over the past three years. There have been visits which has resulted in verbal findings.

One recent example was to help with capacity building, as systems feed directly into output. No visit report was completed and therefore was a lost opportunity to document strengths and weaknesses and enforce change with a targeted action plan.

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

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

Recommendation 6

All field (monitoring) trips for the Ukraine Country Office and relevant UCRS visits should result in a documented report of observations and points for improvement to help outputs and outcomes and reduce risk. Delayed reports should be followed up.

Management Action Plan:

- Head of Country Office and Program Coordinator to make sure that all staff utilise Field Trip report after their visits to field operations. The observations to be analysed and relevant actions to be taken to improve the implementation of the activities.

Risk Owner: Head of Country Office, Programme Coordinator

Due Date: July 2018

Priority Rating: Medium

B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT
B2.1 Resource development	
Please see section B1 which combines programming and URCS capacity.	

B3	LOGISTICS, PROCUREMENT AND FLEET
B3.1 Procurement	
<u>IFRC Procurement</u>	
Generally, procurement controlled within the Country Office follows due process and with a clear management trail. The threat comes from the inconsistent practices and inadequate procurement processes undertaken in partnership. This is critical in two areas: where IFRC funds are used to procure through the National Society and when procurement is performed remotely).	
Significant issues were found in the procurement process. There was no separated procurement team until 2017, so there are historic risks. Recent years have no notable change in practices.	
In the exit meeting with the HoCO, he confirmed that instant action would be undertaken to improve oversight, including closer scrutiny of the tender process, membership and monitoring of the Tender Commission and	

documents received and that all procurement abides by IFRC procurement requirements. The HoCO experience in logistics is greatly needed in the context.

Risk(s): Fraud/misuse; Inefficiency

Cause(s): Oversight/guidance

Recommendation 7

a) IFRC should continue to be more involved at the key control points during tenders or significant/high risk procurements when it relates to direct IFRC funding commitments or programme needs.

b) More oversight and training is required to create better processes and call the procurement manager/reviewers to account when there is non-compliance.

c) If the procurement risk becomes unacceptable (due to poor goods/services, allegations or consistent non-compliance), this should be documented and discussed to take control of the process.

Management Action Plan:

- IFRC to participate in all Tender Commission meetings for procurement.
- Request for Procurement Specialist to be discussed.
- Request for Procurement Specialist will be instigated to review procurement procedures.
- Checklist will be developed by IFRC Finance Manager.
- Procurement training to be organised.

Risk Owner: Head of Country Office

Due Date: July 2018

Priority Rating: High

B3.2 Fleet Management

One vehicle was ordered from the Dubai by the incumbent Head of Country Office. This is another example of a limited set up on his arrival. There are no issues raised on vehicle management.

B3.3 Warehouse Management

The IFRC does not hold any warehouses in the Ukraine and this section is not applicable.

B4	SECURITY
<h4>B4.1 Security Framework</h4> <p><u>Security Regulations and Security Incident Reporting</u></p> <p>Security is basically sound and the framework document was last updated in February 2018. There was no security debrief for the audit visit, but the welcome pack document was fit for purpose when read.</p> <p>One minor point was that the satellite phone was discharged. In the Kiev context, this is not a major risk, but the delegation should still have this asset on standby. There is a possibility that networks may be disrupted if the conflict was to fully affect the whole of the Ukraine.</p> <p><u>Office State and Safety Hazards</u></p> <p>The main area of security and safety risk for the team is the state of building housing the office. The structure would be classed as unfit when compared to Western safety standards.</p> <p>Risk(s): Security/safety; Ineffectiveness</p>	

Cause(s): Compliance; Oversight/guidance

Recommendation 8

a) The satellite phone is recharged regularly in case of emergency or network disruption.

b) A documented and clear assessment on office working conditions is requested by the HoCO with comment on risks to staff. Alternative actions to improve safety should be provided and discussed with the HoCO to understand the cost impact, without putting staff at unnecessary risk.

Management Action Plan:

- Administration Officer to make sure that the satellite phone is recharged regularly
- The Head of Office to discuss the issue of IFRC Office with the Director of Europe Region and provide alternative options.
- The Head of Office to negotiate the funding support for relocation of the Office.

Risk Owner: Head of Country Office

Due Date: August 2018

Priority Rating: Medium

SECTION C – OPERATIONS SUPPORT

C1	FINANCE
C1.1	<p>Financial Management and Oversight</p> <p>Please see next section C.1.2</p>
C1.2	<p>Partner Working Advances and Cash Transfers</p> <p>The Finance Manager undertakes a processor role rather than a more strategic overview of financial management. Referring to procurement risks outline in B3, the finance review is the final gateway check that can highlight potential issues on supporting evidence. This may be after the event but is still important to flag, report and prevent repetition in future transactions. The issues raised are not reviewed in the level of detailed required at the finance validation stage considering the increased financial risk. There is an ongoing likelihood of error, unsupported adjustment or departure from standard procedure that could indicate fraud or corruption. The Finance Manager has the final opportunity to see any trend and to resolve the issue with the HoCO in country.</p> <p>The systems used are mainly paper based, which leaves minimal time for any extra management tasks around analysing the finances and reducing financial risk. There are opportunities to improve efficiency to help the Finance Manager.</p> <p>Returns are made to the Europe office on time and complete. This is still being processed using paper files, creating extra time and cost for photocopying and cost of delivery. The Russia office is currently piloting the scanning of documents and this is also an opportunity for the Ukraine office to do likewise.</p> <p>Risk(s): Asset/financial loss; Inaccurate/late reporting; efficiency Cause(s): Compliance; Oversight/guidance</p> <p>Recommendation 9</p> <p>a) Extra checks should be undertaken by the Finance Manager in addition to the finance verification process at IFRC. A one-page checklist of expected documents, e.g. all procurement bids evidence, from the National Society should be completed and complement Finance validation of the supporting paperwork. Further financial analysis should be modelled so that the Finance Manager can report to the HoCO.</p> <p>b) Financial supporting document returns to Budapest should be scanned and shared electronically (e.g. one drive/cloud shared folders).</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • Finance Manager to develop Procedures and disseminate accordingly. • All financial files for Budapest Office will be scanned and shared electronically. <p>Risk Owner: Head of Country Office, Finance Manager Due Date: July 2018 Priority Rating: High</p>
C1.3	<p>Staff Working Advances</p> <p>No issues were found on staff working advances.</p>

<p>C1.4 Petty Cash Management</p> <p>An extra cash account was opened to help book international travel in US dollars. This is no longer needed (all regular or emergency cash payments should be Hryvnia and Euro). There are also bank accounts that are dormant and rarely used, for example, in CHF. A decision is required on the future of these accounts; whether they are re-activated or closed and any related future costs. There is a risk that dormant accounts remain open and are used without authorisation or clear knowledge, increasing the risk of potential loss or on-going month end processing inefficiencies.</p> <p>Risk(s): Asset/financial loss; Fraud/misuse Cause(s): Oversight/guidance; Procedures/guidelines</p>
<p>Recommendation 10</p> <p>There should be immediate review and decision on dormant accounts (and related costs). If the accounts are no longer relevant for the Ukraine Country Office, they should be closed as soon as possible.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • Head of Country Office to review and take decision on dormant account. Only relevant accounts to Ukraine Office to be kept and the others to be closed. <p>Risk Owner: Head of Country Office Due Date: July 2018 Priority Rating: Medium</p>
<p>C1.5 Bank Management</p> <p>No issues are raised on IFRC management of bank accounts in the Ukraine.</p>

C2	HUMAN RESOURCES
<p>C2.1 Recruitment, Job Specification and Classification</p> <p>The key personnel risk is the ability to convince individuals to stay and commit to the Ukraine Office. The arrival of two delegates (PMER and Programme/OD Coordinator) on short term contracts is dependent on partner funding. Work within the Ukraine context comes with fatigue due to the protracted crisis, historic issues of the Office and the slow progress in National Society development. Motivation and commitment is still required to continue the momentum set by the current Office.</p> <p>Risk(s): Asset/financial loss; Reputation Cause(s) : Organisational culture; Oversight/guidance; Compliance</p>	
<p>Recommendation 11</p> <p>In co-ordination with the Regional office, a robust funding plan should be established to ensure the Ukraine Country Office can continue to provide sufficient support, linked to planning and HR. The momentum set by the Ukraine Country Office should continue, to prevent a return to the previous position of increased risk and deficient performance/reputation.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • Head of Country Office to discuss this important issue with Regional Director of Europe and establish funding plan. The funding plan will be discussed. <p>Risk Owner: Head of Country Office/ Regional Director of Europe Due Date: July 2018 Priority Rating: Medium</p>	

<p>C2.2 Starters, Leavers and Performance Management</p> <p>There have been historic issues with senior staff handover, for example, on the arrival of the HoCO. This led to increased confusion of the position of the IFRC and the key priorities or gaps. The vacuum left resulted in the new HoCO losing time trying to understand the existing structures.</p> <p>Locally, the Admin Assistant now has a clear process for starters and leavers in country and can add handover processes when they are required.</p> <p>Risk(s): Inefficiency; Ineffectiveness Cause(s): Compliance; Oversight/guidance</p>
<p>Recommendation 12</p> <p>Hand over processes between senior managers in the region should be improved so that the new individual has all the information available before commencement of duties. It is advised that there is a cross over period for key staff to help planning and prevent potential issues or surprises.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> • Handover process to be established in IFRC Ukraine Office. • Proper Briefing Schedules and End of Mission interviews to be organised. <p>Risk Owner: Head of Country Office/Regional Director for Europe Due Date: July 2018 Priority Rating: Medium</p>
<p>C2.3 Leave Management</p> <p>No issues are raise on leave management. The only point to note is that two staff have high brought forward leave balances (over 10 days), but this has been understandable due to the context and organisation requirements.</p>
<p>C2.4 Labour Law, Staff Regulations and Contracting</p> <p>A legal agreement in place on labour issues as noted in section A3.</p> <p>Staff regulations have been updated and are in place. Again, there is a minor conflict that 3 staff are on local national contracts and abide by URCS contract rules. However, all are and will be made aware of IFRC policy and procedures and the Code of Conduct whilst on secondment.</p>
<p>C2.5 Personnel Files</p> <p>Files checked were in good order for delegates. Note, personnel files for National Staff are owned and organised by the National Society.</p>

C3	ADMINISTRATION
<p>C3.1 Administrative Policies and Procedures</p> <p>Key policies are up to date with many refreshed in January 2018. All administration supporting documentation such as guarantees and warranties are on file. Current filing has improved when compared to previous years and can be rationalised over time by the new Administration Assistant.</p> <p>There was an absence of framework agreements established with providers for Admin and IT (hotels, travel agency, IT suppliers). The risk is low as there is limited need, but it is always easier to control with a fixed number of suppliers with agreed and locked prices.</p>	

There is a risk of potential variations per each new agreement e.g. price, quality or expectations. This includes minimising the need to provide prepayments, as negotiating payment on account will be of greater benefit.

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

Cause(s): Oversight/guidelines

Recommendation 13

Framework agreements are put in place for standard Ukraine Country Office contractors such as hotels, travel and IT to fix rates and ensure the best service.

Management Action Plan:

- Framework Agreements to be put in place for IT, Hotel accommodation and Travel Agencies.

Risk Owner: Head of Country Office /Administration Officer

Due Date: September 2018

Priority Rating: Low

C4 ASSET AND INVENTORY

C4.1 Inventory Management and Safeguarding of Assets

We found good improvement in the inventory list when compared to previous versions, including desirable goods and electronics separated and clear, recorded by office location and added asset tags. Superfluous entries in the list have also been taken out.

The register can be used as a reliable central source of information if even more detail was included (date of purchase, owner), and relevant cost valuations were readily available in case of an insurance claim or the need to replace or decommission items. A process to control the disposal of equipment was not in place.

During the inventory check, all items requested and checked were in place and in a good condition. We found that 5 Samsung computer tablets had been purchased with the Complex Emergency Appeal money. Two tablets had not been distributed. The HoCO was clear that this was an investment and would be used during 2018.

Risk(s): Asset/financial loss

Cause(s): Oversight/guidelines

Recommendation 14

a) Extra information is added to the inventory register, especially for items of higher value or that are essential to the Country Office, related to cost/value and purchase history. In addition, a clear process should be place, if items are disposed or written off so that the approach is understood and the register updated correctly.

b) Items purchased should be made available as planned by the Ukraine Office to confirm that items are essential to the continuation of the programme.

Management Action Plan:

- Inventory register will be upgraded and additional information will be included. The Asset Disposal Form will be used in future write-off cases.

Risk Owner: Head of Country Office

Due Date: June 2018

Priority Rating: Low

C5	INFORMATION SYSTEMS
C5.1	<p>IT Management</p> <p><u>Security and Computer Access</u></p> <p>The Office does not have automatic computer screen locks. There were times when staff members were not present and screens were open to view.</p> <p><u>Networks</u></p> <p>The team in the Ukraine have been poorly networked in the past. However, at the time of audit the HoCO had already agreed a shared network space with the Regional Office IT department. No further action is required on this point.</p> <p>Risk(s): Safety/security Cause(s): Oversight/guidelines; Organisational culture</p>
<p>Recommendation 15</p> <p>Each computer in the Ukraine Country Office should have a time out of 10 minutes (or as recommended by IT experts), which results in an automatic lock to prevent access by unauthorised users. Staff should also be advised of the risk and requested to lock computers when away from their desks.</p> <p>Management Action Plan:</p> <ul style="list-style-type: none"> All staff will be advised on data protection as well as automatic computer screen lock thorough IT specialists of the Regional Office. <p>Risk Owner: Head of Country Office Due Date: July 2018</p> <p style="text-align: right;">Priority Rating: Medium</p>	

PART III - ANNEXES

ANNEX 1 - RISK RATINGS

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

ANNEX 2 - AUDIT ASSESSMENT LEVELS

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

ANNEX 3 – RISKS

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

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

ANNEX 4 - CAUSES

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

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

ANNEX 5 - ABBREVIATIONS

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