OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS

INTERNAL AUDIT OF THE
SOUTH SUDAN COUNTRY OFFICE
REPORT NO. IA-2018-9

AUDIT PERFORMED: APRIL 2018

REPORT TO MANAGEMENT: AUGUST 2018

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PART I - INTRODUCTION & EXECUTIVE SUMMARY

## 1.	BACKGROUND AND CONTEXT

South Sudan is the world's newest country, gaining independence on 9 July 2011. Within two years, internal disagreements and allegations in the country led the president to depose and exile the vice president leading to a new civil war. Ongoing aggression across the country and the escalation of violence as seen in Juba in 2016 continues to underpin a humanitarian crisis. Country infrastructures remain weak. The economy is making it hard for the poorest to survive. South Sudan is also an area where NGO safety cannot be guaranteed, creating extreme working conditions, especially in the field when reaching remote communities.

South Sudan is placed 179/180 countries in the 2016 corruption perception index. It also ranks as the lowest country in the Human Development Index.

The role of the IFRC South Sudan Country Office is to support humanitarian work being performed in country by developing the operational capacity of the South Sudan Red Cross, as a Red Cross Red Crescent movement co-ordinator and, currently, to progress a movement response plan.

2017 saw the introduction of the 'one movement' response approach where donor funds were to be provided via a grant agreement with ICRC. This meant that IFRC was overseeing direct delivery of donor funds, mainly through NFI items.

The South Sudan Red Cross was inaugurated in 2012 but was already working as part of the Sudan Red Crescent, so began with basic structures already in place. There are 16 branches and 48 units, employing over 200 staff and engaging with up to 9,000 volunteers.

Other movement partners present include the ICRC, which has a major operation set up due to the conflict, with four offices across the country and over 180 International staff and 700 national staff. Key programmes are devoted to food security. There are also seven partner national societies (PNS) focused on different interventions and regions of South Sudan.

The current Head of Country Office (HoCO) joined the team in South Sudan in July 2016. Five people are employed as delegates (including the HoCO), three are delegates who started in April 2018; the finance delegate, logistics delegate and WASH delegate. On the final week of the audit, it was made known to all that the HoCO was to be seconded for a short period to the Nigeria cluster office in Abuja.

The last internal audit of the South Sudan Country Office was performed in May 2016. This scheduled audit was part of our *2018 Internal Audit Plan*, as approved by the Secretary General.

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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 (e.g. reputation and branding) assets.

d)   *Reporting:* To assess the reliability and integrity of financial and operational information, and the means to report such information.

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, accounting and reporting.
   2.   Human resources.
   3.   Administration, including filing and backups.
   4.   Assets and inventory safeguarding.
   5.   Information systems.

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

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4.   EXECUTIVE SUMMARY

4.1   Conclusion

Overall, key controls are in place for the majority of functions in the Country Office. There is an acceptable ongoing compliance with existing controls. This is very important due to the inherent risks in South Sudan.

There are, however, further control points where extra checking, time to scrutinise and detailed review are needed to safeguard IFRC's resources. This is particularly the case for the review of files at decision making stages (assessment and validation of quotations, tenders, and payment sign off). This should improve with the input of new delegates, who have an important role to support and monitor national staff to prevent or detect non-compliance or unusual practices. In addition, there are too many exception notes to the system being applied for IFRC funds, legitimising the bypass of key controls (such as procurement standards), which could lead to manipulation and fraud.

The level of risk is already inherently greater in South Sudan and, therefore, this report has categorised five findings as high-risk that could impact objectives and leads to limited assurance. One of these risks relates to the IFRC/ICRC one international appeal and movement response plan and the mechanism behind the modality and future funding streams, which also requires review by the African Regional Office and Geneva Secretariat.

4.2   Summary of recommendations

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

SECTION	Recommendations		
	High Priority	Medium Priority	Low Priority
OVERSIGHT AND RISK MANAGEMENT			
A1 Risk management, oversight and monitoring	-	1	-
A2 Organisation, coordination and communication	-	1	-
A3 Legal	1	1	-
PROGRAMME AND PARTNERSHIP MANAGEMENT			
B1 Programming, planning, monitoring, evaluation, and reporting	1	-	-
B2 Resource development and partnership management	1	-	-
B3 Logistics, procurement and fleet	1	-	-
B4 Security	-	-	1
OPERATIONS SUPPORT			
C1 Finance	1	3	-
C2 Human resources	-	-	-
C3 Administration	-	-	-
C4 Assets and inventory	-	-	1
C5 Information systems	-	1	-
TOTAL AUDIT RECOMMENDATIONS	5	7	2

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

All staff attended the audit feedback meeting and were positive in reaction to findings. Actions in this report will help to improve the control environment. The following overview highlights the high risk findings and subsequent actions required:

- Legal taxation risk: There is a potential risk of exposure to further taxation costs. The level of exposure is to be analysed in quarter three of 2018. *Asset safeguarding high risk.*
- Programmes - one international appeal impact: The one international appeal approach was a new initiative to manage available funds and the correct level of budget to be used. The lack of official commitment from partners, unclear communication and different modalities has made progress difficult and has impacted field management. This risk has been escalated to both the African Regional Office and Geneva Secretariat who are making efforts to improve the model. The initial issues seen in 2017 cannot be repeated in forthcoming one international appeal management. *Effectiveness high risk*
- South Sudan Red Cross (SSRC) development inherent risk: South Sudan Red Cross continues to develop yet will remain heavily reliant on partners, especially for funding and meeting high donor expectations. IFRC Head of Country Office is advocating with all partners and will further discuss the movement as a whole with SSRC/PNS management in South Sudan to encourage better transparency related to systems, projects and approach. *Effectiveness high risk*
- Procurement risks: Local procurement by the Office had basic controls in place in the past. Further issues were found with documentation in 2017/2018 which showed limited checking of documents and company profiles during the process. There was also an unreliable preferred supplier process that was conducted by junior staff. These points increase the risk of error, manipulation and fraud. An improved supplier database, due diligence and better evidence collection and scrutiny will add value to controls in the procurement process. *Asset safeguarding high risk.*
- WANS documents: Internal processes in country also create issues around timely WANS processing and availability of funds to pay for exceptional requests. Added to this is the inconsistent quality of detail included in the supporting evidence which caused confusion during the audit review, such as unexplained supplier rates and questions over the source/legitimacy of the document. Examples were shared with the South Sudan team, who will continue to check the quality of supporting evidence and the timeliness of WANS/worthiness of payment requests. *Asset safeguarding high risk*

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PART II - DETAILED OBSERVATIONS & RECOMMENDATIONS

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SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING

A1.1 Risk management

Risk identification, assessment and management

The 2016 audit action to develop a risk management process has been implemented. A risk register has been created with seven key risks. The 2016 audit raised issues in relation to staff knowledge of global policy and process. A risk around the understanding of the *Code of Conduct* and core policy was added as a risk with a mitigation plan.

The level of detail, assessment and understanding of the potential causes of risks still needs further development. For example, the risk register currently classifies delay in Working Advance National Society (WANS) receipt as an 'extreme' risk, which appears exaggerated in our view.

There are many other risks that the Country Office faces, therefore, regular review will help prioritise efforts through monitoring and mitigation.

The audit exit meeting included a brief session to collect and add further information to the risk register after risk discussions and the experience of the internal audit.

Risk(s): Ineffectiveness

Cause(s): Resources/capacity; organisational culture

Recommendation 1

a) Expand the risk register to focus on the risk event and the causes for a more informed risk assessment and mapping to help prioritise time and resource on key controls.

b) Reassess the scoring of the risk register, including the risks added in May 2018.

Management Action Plan:

Agreed. This will be done biannually.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: Medium

A2	ORGANISATION, COORDINATION AND COMMUNICATION

A2.1   Reporting lines, roles and responsibilities

Structure and supervision – sign off

A session on sign off responsibilities is needed, especially around understanding the difference between validation versus authorisation. Multiple reviewers for our sample of transactions had not picked up document issues or inconsistencies, raising questions on what is checked, when and the follow up of potential issues.

There were also cases where a signature was not recorded on the document at all (for example the finance signature in the logistic requisition was missing for the procurement of t-shirts).

Risk(s): Ineffectiveness; fraud risk

Cause(s): Resources/capacity; guidance

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Recommendation 2

A session is completed with all staff to discuss and agree the sign off process of key documents/processes. This should document and map what is checked by each individual, so that all are aware of each other's role in the sign off process (for example, in procurement: budget holder, logistics, finance and final authoriser). This should, in our view, take a similar form to the segregation of duties section in the local cash disbursement guidelines.

Management Action Plan:

Agreed.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: Medium

A2.2 Co-ordination and Communication

<u>Meetings</u>
It was noted, as a good practice, that all key meetings are recorded with minutes that are shared with group members. This is both for the coordination meeting with movement partners (every Monday) and the IFRC South Sudan team (every month).

A3	LEGAL

A3.1 Contract management

In our review of key contracts, we found that all the latest versions of agreed contracts were on file and had been signed by the correct authority. More recently, contracts have been processed by staff in the Country Office through e-contracts and evidence is printed and retained on file.

We found that service contracts were processed and agreed after the initial term (for example, the hotel's term from 1 January to 31 December 2018 was first initiated in March and agreed in April). A quarter of the contract term had already passed. We can only assume that previous agreements had been extended verbally, as there is no further evidence on file, but there was a period where an underpinning agreement was missing that would protect all parties.

One potential reason that contributed to the delay in contract renewal is the lack of contracts register/database to highlight key dates and help manage the status of contracts between procurement, finance and programmatic departments.

Risk(s): Effectiveness; legal liabilities; asset/financial loss
Cause(s): Compliance; procedures/guidelines

Recommendation 3

A standard contract register/database is created to include trigger dates and planned lead time in advance of contracts (agreements, service contracts and memorandum of understanding) coming to an end to ensure a controlled renewal or re-tender.

Management Action Plan:

Agreed. As all contracts, however, are now going through e-contract, this should not be an issue as we do get alerts one month before end of contracts. A manual database will be kept upon the signing of every contract.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: Medium

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A3.2 In country taxes

The potential tax exposure faced in South Sudan linked to local costs for meeting the needs of beneficiaries needs to be revisited, especially around VAT. This has not been recently reviewed and there is a risk of a change in the exposure, for instance after the introduction of the *2017 Finance Act* in South Sudan.

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

Cause(s): Compliance; procedures/guidelines

Recommendation 4

Further assurance is required on the South Sudan taxation position.

Management Action Plan:

Agreed.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: High

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1 Programming and project management

Programming in country continues to improve with a dedicated programme manager. The programme manager is due to end his mission and will hand-over the design and progress to a new operations manager in a planned overlap period.

South Sudan will always have high inherent risk with regards to delivery of programmes. The team recognises the limited capacity of the National Society, the potential crossover of output with other international organisations, due to the number of actors and beneficiary accessibility issues (restricted live independent monitoring, or reliance on branches). Programming has been developed to try to limit risk exposure where possible. For example, large procurement in 2018, such as borehole drilling and development of a potential warehouse, will use IFRC guidelines and purchase controls.

The main issue found on programming and project management was linked to a clear understanding of the budget and funding streams. South Sudan had been chosen as a country to benefit from the 'one international' appeal approach. This was an new approach to managing funds which suffered from initial issues that need to be addressed with lessons learned. There is also a question on the sustainability of this approach for the context of South Sudan and programming.

IFRC may also be required to continue their commitment to fixed costs or short-term costs (such as staff) and may have to find alternative funding, impacting resource time and creating additional pressures.

Risk(s): Ineffectiveness; inefficiency; fraud/misuse

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

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Recommendation 5

a) Clear discussion and follow up e-mail is required so that all levels (Geneva Secretariat, Africa Regional Office and local team) are agreed on the status of the 'one international' appeal funding for South Sudan, the rules for qualifying for future tranches, and the dates when the money should be requested and will be received.

b) Full roles and responsibilities are set linked to South Sudan past lessons regarding the one movement approach to confirm management and monitoring of progress.

Management Action Plan:

Agreed.

Risk Owner: Head of Country Office to further escalate the issue

Due Date: August 2018   Priority Rating: High

B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT

B2.1 Resource development

National Society Development (NSD)

From our review, NSD is being led with a clear direction to try to strengthen the South Sudan Red Cross (SSRC). This approach is inclusive (e.g. use of BOCA workshops) to undertake training in targeted SSRC branches. In addition, much work has been completed on the strategy and governance of the SSRC, such as a fraud and corruption prevention and control policy. This is a good start to underpin system development.

Yet there are areas that raise concern that will need further IFRC analysis and monitoring to gently coerce self-sufficiency and prevent reliance and dependence on IFRC appeal funding.

Historically, no-one has had full oversight of the following risks related to NSD:

- Overlap (of project type of by region/branch or unit), meaning potential duplication.
- Funding streams and timing of fund receipt
- SSRC implementation, capacity and the number of projects

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

Recommendation 6

IFRC management re-analyses the South Sudan Red Cross risks related to the areas noted and ensures capacity development is linked to improving self-sufficiency and reducing over-reliance on partners

Management Action Plan:

Agreed and will continue to advocate for the necessary changes.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: High

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B3	LOGISTICS, PROCUREMENT AND FLEET

B3.1 Procurement

Overview

We have raised concerns previously over logistics controls. Our 2016 audit raised clear actions to help improve the control framework. Some items have been implemented, but actual processes are still not, in our view, fully fit for purpose. We would expect that there would be some residual risk in country but should not find similar issues in IFRC-driven procurement processes.

The main reasons for this position are the past minimal development of local resources and processes (using simple mechanisms alongside IFRC procurement guidelines) and the historically limited number of IFRC staff in country.

Preferred suppliers

A preferred supplier tender process was undertaken for IFRC purchasing of standard items, such as stationery and office consumables. The assessment and decision making was limited to a 'selection committee' made up of junior staff. This has resulted in a select pre-qualified list that no longer will have the same scrutiny or control as the standard purchasing of items to the open market.

Fraud risk

We were concerned of a potential fraud risk related to related companies bidding for IFRC services. The status of suppliers had not been assessed by Logistics at the time of assessment, who only relied on the quote received and the information presented. After the audit, the South Sudan team completed further checks on the companies, including a visit and collection of paperwork. This, at least, proved that the companies exist and that extra assurance checks were made, led by the local team.

The arrival of a new logistics delegate can help improve the system and ensure that key controls are effective at each stage. The logistics requisition template has also been updated, so that it is clearer on the check by the budget holder and sign off at the initial stage of the procurement process. The purchase orders are still in a local format and only require the sign off of the Head of Country Office and representative of the supplier. The Head of Country Office is not the budget holder in all cases.

Supplier management

There is a significant quantum of supplier data, but no database or central system to record these facts or explain evidence collected or records of the delegation's understanding of market positioning, standard prices (catalogues etc), qualities and experience. Institutional knowledge is held centrally with Logistics Officer but is not written down.

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

Recommendation 7

a) In depth checks are undertaken when the South Sudan Country Office Logistics team uses the preferred suppliers list (independent review of the quotations received and option to reject the suppliers). The option should be to also receive information from other firms to ensure that what is offered is standard and the price is comparable with the market. The pre-qualified list should be refreshed at the earliest opportunity.

b) The newly recruited logistics delegate improves the controls in place around specification, tender review, delivery monitoring and a more informed Competitive Bid Analysis (CBA) based on evidence collected and presented to a separate decision maker. Budget holders should verify logistics requisitions and purchase orders so that a purchase budget is set, enough resource is available in the budget and as a sense check of the

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potential commitment. The direct budget holder should always sign the purchase order.

c)   Logistics create and expand a suppliers' database so that a better picture of the market is recorded over time. This should include records of documents received, visits, assessments or key information received on supplier set up or ownership (for example, a supplier registration form). This database should be held securely and should be accessible to the Head of Country Office to help decision making.

Management Action Plan:

Agreed.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: High

B3.2 Fleet Management

There are three vehicles being used in-country. Our experience of the oversight of safety and security for the movement of the fleet was good. Vehicles were also well maintained, and driving was controlled and careful.

B3.3 Warehouse Management

IFRC does not hold any warehouses in the South Sudan.

B4	SECURITY

B4.1 Security Framework

Security regulations and security incident reporting

Security of staff is well controlled. All movement partners fall under a shared security framework. There are regular updates and meetings in place to share the security status.

Messaging is undertaken using the Whatsapp messaging service for updates on security incidents, advice or changes to the security phase. Security services for guarding and rapid response units for the staff housing are provided by contract.

For IFRC, key security documents, the security regulations and the relocation plan, were adequate and last updated in February 2018. The lead point for IFRC is the programme manager, but with direct support from the Head of Country Office and IFRC lead. Both have completed HEAT training. We received security briefings on site and the welcome pack including the security regulation (the document dated from April 2017) before arrival. One minor point is noted that the auditor received two guidelines, but this included the most up to date requirements. Working radios were finally received for the vehicles whilst on site.

Vehicle fuelling strategy and security

Currently, the refuelling of vehicle is done on an *ad hoc* basis. Vehicles have been unavailable for trips due to either inadequate planning or out due to refuelling. This could create an issue if there is a need for the vehicles due to a security threat, which is a possibility in South Sudan. Fuel is also a risk due to its scarcity in times of crisis and its price. Better safeguards are needed to ensure consumption follows the expected trend, which can only be done by making fuel top ups at specific, pre-ordained intervals. We note that practicality, fuel use and fleet policy will determine the best methodology for refuelling.

Risk(s): Safety and security; efficiency

Cause(s): Oversight/guidance

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Recommendation 8

Specified vehicles are refuelled with a top up to full tank every Friday in preparation for the weekend, better fuel management and easier record keeping. An independent officer should check before and after the refuel. Then the vehicle should be checked each Monday as per procedure.

Management Action Plan:

Agreed based on practicalities. According to the fleet policy, refuelling should be done once the tank reaches half. Hence, not sure its practical to do this is on weekly basis especially given that we have a fleet of 11 vehicles including that of the PNS which are leased through VRP. In addition, average kilometre coverage per vehicle is less than 30 km/week.

Risk Owner: Head of Country Office

Due Date: August 2018   Priority Rating: Low

SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Financial management and oversight

Monthly checks/analysis

Generally, financial oversight is in place. No issues were seen on the South Sudan balance sheet requiring further follow up.

Financial month ends have been delayed in the past. This was mainly due to delayed Working Advances to National Societies (WANS) which were being returned late). See next section 1.2. for detail.

C1.2   Partner working advances and cash transfers

Delays in returns of WANS (Working Advances to National Society)

There are delays in the returns of WANS reports. There are examples of original payments crossing over periods. One example was more than 6 months old before being presented for review.

We also found a foreign exchange write off in February 2017 due to problems with WANS closure as expenditure information was not returned to the delegation on time. After nearly a year, the outstanding amount was settled. In this time, however, the central bank changed its foreign exchange policy. When the funds were settled back into USD, the value of the local currency (SSP) had fallen leading to an unexpected exchange loss.

WANS evidence

Our sample of WANS transactions found issues around the quality and accuracy of evidence. This was mainly in branch training linked to hotel bookings, purchase of equipment (tables and chairs) and volunteer payments. The key issue is the use of an exception notes; in our view there are too many.On further inspection of records for hotel stays, we found that hotel receipts had changed their format, had a lack of detail (for example, guest names and number of nights) and different hotel rates. Also, equipment or inventory purchased was not followed up and their existence confirmed (for example, the storage location added to an official inventory or future plans for the items so that the investment was justified). This raises doubt in our view on the legitimacy and accuracy of expenditure detail.

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

Cause(s): Compliance; oversight/guidance

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Recommendation 9

a)   All significant delays in the return of WANS supporting documentation are recorded together and escalated to the Head of Country Office. Further review is required to ensure the causes for the delay are genuine and not due to issues with evidence gathering or internal processes.

b)   The finance team sample checks WANS in depth to ensure that supporting evidence is genuine, accurate and relates to the period. All issues should be fed back to the budget holder, and if necessary, Head of Country Office, to judge the level of acceptance/compliance before escalating the issue.

Management Action Plan:

Agreed.

Risk Owner: Finance Manager and Head of Country Office

Due Date: August 2018   Priority Rating: High

C1.3   Staff working advances

Only one point is raised on staff working advances where individuals are provided with these funds but are not under IFRC contracts.

Risk(s): Inaccurate/late reporting; fraud/misuse
Cause(s): Compliance; oversight/guidance

Recommendation 10

Working advance to non IFRC staff are immediately discontinued.

Management Action Plan:

Agreed.

Risk Owner: Head of Country Office

Due Date: August 2018   Priority Rating: Medium

C1.4   Petty cash management

Petty cash policy

The petty cash policy was last agreed by the Country Office Finance team and the Head of Country Office in March 2017. Cash disbursement guidelines are from March 2018 and include the roles and responsibilities and cash limits. Cash use is generally limited.

C1.5   Bank management

Our sample showed that the delegation has been making USD payments since 2016 via cheque but local practices raise concern about whether this is the best method.

This creates on-going risk for the IFRC with some maturing in the last year:

- Delays in payments as there is no advice received on when the payment will be made to the supplier.
- Delays in notification if there is an issue with the supplier account.
- Lack of knowledge of what technically happens to IFRC funds before it reaches the account of the supplier.

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Whilst on our audit visit, a meeting with the bank representative was arranged with all partners to raise issues on bank performance. This cheque issue was raised by the Finance team and alternatives were discussed, leading to our recommendation. Many further issues were raised by all partners which raises significant concern about the reliability of the bank processes.

Risk(s): Asset/financial loss; fraud/misuse; inefficiency

Cause(s): Oversight guidance; procedures/guidelines

Recommendation 11

a)   The delegation takes advantage of the use of on-line banking to improve bank statement management and easy access for web bank payment authorisation to also avoid the issue of the bank being the cheque payee.

b)   An on-going log of issues is created on bank performance and continuing issues should be re-raised with the lead advisor and compensation pursued.

Management Action Plan:

Agreed, on-line banking already started, but taxes and currency conversion will still need to be paid by cheque with accompanying instructions to the bank.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: Medium

C1.5   Managing currency

There is a currency exposure, which is exaggerated due to local spending being in USD and the weak South Sudan Pound (SSP). This also means the SSP exchange is controlled manually due to hyperinflation.

IFRC positions are further exposed as transactions and all fund movements are posted in CHF. One example was due to the return payment of a WANS by the SSRC. The receipt was made a year after original issue, where the exchange rate moved significantly.

In addition, periodic movements show a significant monthly foreign exchange gain or loss, which will depend on the size of balances and exposure. This was the case where there was a significant gain in March 2018 related to the matching of supplier's accounts.

Risk(s): Asset/financial loss; fraud/misuse; inefficiency

Cause(s): Oversight guidance; procedures/guidelines

Recommendation 12

Monitoring of the foreign exchange should ensure that the postings are collated into one document for clear explanation for South Sudan currency gains or losses

Management Action Plan:

As South Sudan Currency (SSP) is not in Oanda, currency management in Coda finance is manually fixed from ARO finance Unit.

Risk Owner: Head of Country Office with reference to ARO Finance unit

Due Date: October 2018   Priority Rating: Medium

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C2	HUMAN RESOURCES

C2.1 General HR points

Staff are split between five delegates managed via Africa Regional Office human resources and seven local staff. The management of delegate files was not reviewed in detail. The following are key points related to local HR processes, which is led by the administration manager and supported by the Head of Country Office (HoCO).

- Local recruitment followed due process from a sample review of two employees. Qualifications and rights to work were on file. Job specifications were also complete and up to date.
- Performance reviews were completed on time.
- Information on staff leave is also shared in team meetings to notify all of forthcoming absences for planning. A leave planner is in place and managed by the administration team.
- Staff regulations are in place and were last reviewed in February 2018 and are being regularly updated.
- There was a significant issue around past payroll processes that were in the full control of the finance officer. Since the arrival of the HoCO, there is now a split and the details are presented by the administration officer and agreed before payment processing by the local finance team.

One minor point is that, during the recruitment for a new National Staff, a temporary administration officer (staff with temporary contract) had minor involvement in the process and had access to applications. She was also a prospective candidate. However, the invitation to interview and assessment was completed outside of the temp officers control and remit. Therefore, no action is required.

Resource development for the country office

As already noted, the expansion of the South Sudan country office is linked to the increase in funding. With regards to resource development, key assets have been refreshed recently and there is evidence of investment in staff needs, whether it be equipment (computers) or training (fraud awareness for the finance officer).

C2.2	Labour law, staff regulations and contracting

See section A3 related to taxation implications as a main issue.

C3	ADMINISTRATION

C3.1   Administrative policies and procedures

Two members of staff are in place to cover administration (and basic human resource tasks). Generally, administration is functioning well:

- A standard housing policy is in place dated from October 2016 and refreshed in 2017.
- Filing standards are in place.
- Sensitive files are held securely.

The key risk area highlighted for administration is being able to successfully confirm internal flight bookings, especially for United Nations flights. This requires a lot of planning and lead time, but there is still the risk of cancellation. If communication channels are disrupted this increases the risk of delays in plans or results in individuals being grounded in field locations. Administration staff have alternatives to counter these risks with direct contact with the UN to find out the flight status or collect tickets. This can be added to the risk register.

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C4	ASSET AND INVENTORY

C4.1   Inventory management and safeguarding

<u>Inventory management</u>

There are no significant assets, so items are added to an inventory. Lists have been created by the administration office and updated recently in February or March 2018. The lists include IT equipment and furniture as the main bulk of items.

Having reviewed the lists, we could not find the laptop assigned to the NSD Delegate. Therefore, a second review is required to ensure the list is complete and correct.

Risk(s): Asset/financial loss

Cause(s): Oversight/guidelines

Recommendation 13

A further documented review is undertaken to ensure that the inventory register fully reflects all key items within the country office. This should be printed and signed by the Head of Country Office.

Management Action Plan:

Agreed and already updated.

Risk Owner: Head of Country Office

Due Date: October 2018   Priority Rating: Low

C5	INFORMATION SYSTEMS

C5.1   IT management

IT within the South Sudan Country Office is supported locally whilst wider IT issues are supported by the Regional Office. The team is reliant on the quick response and service of these partners.

<u>Connectivity</u>

The inherent risks around IT are due to the country infrastructure. For example, unreliable or slow networks are experienced, even with greater bandwidth. In addition, there has been blockage of website information points, where other news sources have to be found.

The Country Office has a new internet provider who is based in Europe at a high cost. Connectivity though is still an issue, but there are alternative internet access options in case there is any outage. Generally, our experience of connectivity was acceptable until the final day, but this was only a period of slow connection.

During our testing of transactions, a quarterly advance payment invoice that was received and processed for the internet provider in December 2016 was only paid in March 2017. This is partly due to the incorrect account details being provided by the finance team and the bank rejecting the payment, but also due to internal processing delays.

There are essential payments that must be prioritised, especially IT invoices for key suppliers. Internet access and availability is critical for management of the operations, communication and documents in IT cloud storage. The lack of contract register does not help as this should highlight the key dates for the whole team to be aware of with regards to commitments in supplier contracts.

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<u>Data back up</u>

No server is needed. Document and data sharing is controlled by Microsoft One Drive or e-mail. Individual computers are therefore stand-alone and networked via WiFi and web-based systems. Both are backed up automatically as part of the larger system, so reliance again is placed on central controls. A local check has not been performed to ensure there is a complete back up in the cloud for all staff.

Risk(s): Ineffectiveness; asset/financial loss

Cause(s): Oversight/guidelines; organisational culture

Recommendation 14

a) IT contracts are highlighted as a priority on the contracts register, so that payments are made on time to prevent loss of IT access or potential penalties.

b) An annual simulation is performed to test staff and systems reactions to outage, for example, a security emergency or requirement to recover a position or document. This can be IT driven, but could expand to a wider incident resulting in a lost internet or lack of access to computers (which is possible in the South Sudan climate).

Management Action Plan:

Agreed.

Risk Owner: Head of Country Office

Due Date: October 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 *reasonable assurance* that risks are being managed to achieve objectives.
Some/moderate improvements needed	Some/moderate specific control weaknesses were noted. Generally, the controls evaluated are adequate, appropriate, and effective and are *likely to provide reasonable assurance* that risks are being managed to achieve objectives.
Numerous/major improvements needed	Numerous/major specific control weaknesses were noted. The controls evaluated are *unlikely to provide reasonable assurance* that risks are being managed to achieve objectives.

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Significant/critical improvements needed	The controls evaluated are not adequate, appropriate, or effective and *reasonable assurance cannot be 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

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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