International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**INTERNAL AUDIT OF THE
EUROPEAN MIGRATION OPERATION
REPORT NO. IA-2016-08**

**AUDIT PERFORMED: AUGUST-OCTOBER 2016
REPORT DATE: NOVEMBER 2016**

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PART I   INTRODUCTION & EXECUTIVE SUMMARY

1.   BACKGROUND AND CONTEXT

The IFRC Plan and Budget (2016-2020) has eight areas of focus where the IFRC will coordinate and provide programmatic support to National Societies. Migration is one of these eight areas.

Migration issues impact all regions of the IFRC. In recent years, the Europe region has experienced unprecedented migration and population movement, requiring an equivalent scale in response. This humanitarian need impacted much of Europe, with many National Societies providing immediate and longer-term relief to migrants.

In Europe, the IFRC`s response has included the following:
- A Regional appeal (MDR65001) "*Europe Migration: coordination, response and preparedness*" with an appeal budget of CHF4.6million covering a period of thirteen months ending December 2016[1].

- Eight emergency appeals related to population movement in Europe, as well as funding support from the IFRC`s Disaster Relief Emergency Fund (DREF). In total, these appeals and DREF supported operations are reaching 1 million people with budgets of some 33 million Swiss francs[2]. This included Emergency Appeal (MDRGR001) *"Greece Population Movement"*. The budget for the Greece appeal was CHF28.6 million covering the period from September 2015 to March 2017[3] ; and

- An international appeal (MDRTR003) "*Turkey Population Movement*" with an appeal budget of CHF44.6 million covering the period from November 2012 to April 2017[4].

The support for these appeals is provided by the Europe Region. This includes, but is not limited to:
- A migration surge capacity response team, at the IFRC Regional Office in Budapest, Hungary.

- An IFRC country office in Athens, Greece to support the Greece Population Movement appeal.

- An IFRC integrated programme coordinator at the Turkish Red Crescent in Ankara, Turkey, to support the Turkey Population Movement appeal.

This internal audit was part of the 2016 annual plan of the Office of Internal Audit and Investigations (OIAI). The audit included visits to Budapest, Athens and Ankara. It was performed between August and October 2016. The findings in relation to Ankara are reported separately to management.

2.   OBJECTIVE OF THE AUDIT

The purpose of the audit is to provide management with reasonable assurance in relation to the adequacy and effectiveness of governance, risk management and control processes. This is achieved by focusing on the following:
a)   *Effectiveness:* To assess the adequacy and effectiveness of the processes, systems and internal controls (including review of segregation of duties, delegation of authority, and risk management) towards achieving objectives;

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, equipment, as well as reputation and branding;

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

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

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[1] Revised Emergency Appeal, April 2016.
[2] As noted in the revised regional appeal, MDR65001, April 2016.
[3] Revised Emergency Appeal, May 2016.
[4] Revised International Appeal, June 2015, and International Appeal Operations Update 8, February 2016.

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3.   SCOPE AND METHODOLOGY

The three main areas covered in the audit scope include the following, with a risk based approach used to prioritize the audit activities:

A) *Oversight and Risk management*

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

B) *Programme and Partnerships management*

-   Programme management including of Appeals and DREFS, and planning, monitoring, evaluation and reporting systems.
-   Resource development, including resource mobilization, pledge management, and partnerships.
-   Logistics, procurement and fleet management.
-   Security management.

C) *Operations management*

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

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

The audit:
-   Included a review of the coordination, oversight, and monitoring processes of the appeals, and testing of transactions related to a sample of appeals at the IFRC Budapest Regional Office.

-   Included a review of the internal controls related to the migration appeals of Greece and Turkey.

-   Excluded the European operations related to the *Rights of Migrants in Action* project.

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4.   SUMMARY OF KEY FINDINGS AND MANAGEMENT ACTION PLAN

Budapest Office - number of agreed action points by sector/priority

SECTION	Agreed Action points		
	High Priority	Medium Priority	Low Priority
OVERSIGHT AND RISK MANAGEMENT	**1**	**3**	**-**
A1 Risk management, oversight and monitoring	-	2	-
A2 Organisation, coordination and communication	-	1	-
A3 Legal and supplementary services	1	-	-
PROGRAMME AND PARTNERSHIPS MANAGEMENT	**1**	**1**	**-**
B1 Programming, planning, monitoring, evaluation, and reporting	-	1	-
B2 Partnership and resource development (PRD)	-	-	-
B3 Logistics, procurement and fleet	1	-	-
OPERATIONS SUPPORT	**3**	**2**	
C1 Finance	3	-	-
C2 Human resources	-	1	-
C3 Information systems	-	1	-
TOTAL AGREED ACTION POINTS	**5**	**6**	**-**

*The various priority levels are defined in Annex 1.

Action points which had a primary risk relating to the audit objectives of effectiveness, efficiency, safeguarding of assets, and reporting are summarised below.

	Audit objectives	High Priority	Medium Priority	Low Priority
a)	Effectiveness	-	4	-
b)	Efficiency	-	-	-
c)	Asset Safeguarding	5	1	-
d)	Reporting	-	1	-
Total		**5**	**6**	**-**

In relation to the audit objective of compliance, five (#5, #6, #8, #9, #10) of the above agreed action points were caused in part by compliance related matters.

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

Effectiveness
There are no high priority action points with a primary risk related to effectiveness.

Efficiency
There are no high priority action points with a primary risk related to efficiency.

Asset Safeguarding
All five high priority action points (#4, #6, #7, #8, #9) have a primary risk related to asset safeguarding (asset financial loss, legal liabilities, fraud, etc.). To improve asset safeguarding, the Regional Office should:

- *Establish a contract database which includes expiry dates to ensure that project agreements are timely renewed; appoint a focal point in relation to contracting to ensure that the contract approval process is known and that contract review procedures are followed; and establish a process to monitor reporting requirements included in project agreements (agreed action #4).*

- *Clarify when the National Society can perform procurement and when procurement must be performed by the IFRC, and incorporate the relevant clauses in the respective project agreements; ensure that additional clauses to the standard contract templates are reviewed by the respective technical functions; and establish a process to ensure that the IFRC procurement procedures are known and followed by National Societies. This should include monitoring, capacity development and sample testing of procurement files by the IFRC to ensure compliance (agreed action #6).*

- *Timelines are established for the submission of monthly financial returns, and the RoE monitor compliance; and the RoE performs timely financial oversight of the Greece operations, with outstanding matters being followed up and resolved (agreed action #7).*

- *Strengthen the account processing systems to ensure that only validated and approved expenditure is recorded into CODA; review the working advance documentation under question to ensure that this is complete with any gaps identified documented in a note to file; timely review the submission of working advances by National Societies to ensure these are processed as soon as possible after being submitted; perform and document the monthly reconciliation of working advance balances with National Societies; and finalise the cash transfer assessment by ensuring this is approved by the IFRC, and the National Society is formally communicated the results of the assessment (agreed action #8).*

- *Develop and communicate a list of expected supporting documentation by transaction; and review of the journal entries by the financial controller prior to posting to ensure accuracy (agreed action #9).*

Reporting

There are no high priority action points with a primary risk related to reporting.

Greece migration operations Country Office - number of agreed action points by sector/priority*

SECTION	Agreed action		
	High Priority	Medium Priority	Low Priority
OVERSIGHT AND RISK MANAGEMENT	**3**	**2**	**-**
A1 Risk management, oversight and monitoring	-	1	-
A2 Organisation, coordination and communication	-	1	-
A3 Legal and supplementary services	3	-	-
PROGRAMME AND PARTNERSHIPS MANAGEMENT	**-**	**6**	**-**
B1 Programming, planning, monitoring, evaluation, and reporting	-	2	-
B2 Partnership and resource development (PRD)	-	2	-
B3 Logistics, procurement and fleet	-	1	-
B4 Security	-	1	-
OPERATIONS SUPPORT	**3**	**7**	**2**
C1 Finance	2	3	-
C2 Human resources	1	3	-
C3 Administration and Asset Inventory	-	-	2
C4 Information systems	-	1	-
TOTAL AGREED ACTION POINTS	**6**	**15**	**2**

The various priority levels are defined in Annex 1.

Action points which had a primary risk relating to the audit objectives of effectiveness, efficiency, safeguarding of assets, and reporting are summarised below.

	Audit objectives	High Priority	Medium Priority	Low Priority
a)	Effectiveness	1	8	-
b)	Efficiency	-	-	-
c)	Asset Safeguarding	5	6	2
d)	Reporting	-	1	-
Total		**6**	**15**	**2**

In relation to the audit objective of compliance, nine (#4, #7, #11, #12, #13, #15, #16, #18, #20) of the above agreed action points were caused in part by compliance related matters.

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

Effectiveness

There is one high priority action point (#17) with a primary risk related to effectiveness. *To improve effectiveness, the Country Office should finalise the recruitment process to ensure that the Country Office is resourced with the required staffing to achieve its objectives; and reorganise tasks to ensure that there is adequate segregation of duties.*

Efficiency

There are no high priority action points with a primary risk related to efficiency.

Asset Safeguarding

There are five high priority action points (#3, #4, #5, #14, #15) with a primary risk related to asset safeguarding (asset financial loss, legal liabilities, etc.). To improve asset safeguarding, the Country Office should:

- *Request approval for any sub-delegation of authority from the original authority; transfer all existing contracts registered with a personal tax identification number (TIN) to the new TIN of the IFRC Region of Europe (RoE) office; register all new contracts with the RoE TIN; assess and mitigate the potential risks associated with individual staff members having used their personal TINs in contracting; and establish a centralised contract database which enables the RoE to monitor the status of all contracts including commitments made, and contract expiry dates (agreed action #3).*

- *Assess (in consultation with legal and human resources functions) the need to have national staff regulations (or similar); establish an agreement with temporary service providers, and develop a payment scale to be applicable to all IFRC supported programmes (agreed action #4).*

- *Establish a monitoring process to ensure that cash requests are performed on a cash needs basis to keep bank account balances within a reasonable level (agreed action #14).*

- *Agreed actions point #5 and #15 were reported separately to management.*

Reporting

There are no high priority action points with a primary risk related to reporting.

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PART II DETAILED OBSERVATIONS – REGION OF EUROPE MIGRATION OPERATIONS

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SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	**RISK MANAGEMENT, OVERSIGHT AND MONITORING**

A1.1   Risk management

Risk management is included in some project plans and is informally discussed. However, it is not systematically documented in major decision making. For example:

- *European migration operations:* there is a risk assessment in the Regional Emergency Plan of Action. However, there is no overall risk register, nor systematic monitoring of how specific operations are managing their risks.

- *Greece Country Office:* there was no decision paper (with risk assessment) to establish the IFRC Greece Country Office. Since its opening, the Country Office has yet to address risks related to hiring of national staff and opening a local bank account.

- *Follow-up of identified risks:* a process to ensure action plans are systematically followed-up is not yet established. For instance, recommendations from the previous audit of the Europe Region in 2015 which have an impact on the Europe migration operations have yet to be fully addressed.

Agreed Action 1:

The Country Office agreed to:

a)   Document major initiatives with a decision paper through the office of the Director.

b)   Establish, review and monitor a risk register for the Europe migration operations, and work with other major operations to develop individual risk registers, and a process to follow-up and monitor implementation.

c)   Reinforce focal points for supported countries in the Surge Team who will be responsible to follow-up the existing and identified risks and procedures.

Manager responsible for the action: Director of Region

Due Date: March 2017

Priority Rating: Medium

A1.2   Governance and oversight

Migration governance

The Region of Europe (RoE) participates in various high level meetings*,* and steering groups related to European migration operations. Outcomes from these meetings include the *London Plan of Action (PoA)* which resulted in action points for the IFRC. Some of these action points are in progress but not yet finalised. A process is not in place to ensure that action points and IFRC deliverables are monitored and timely implemented.

IFRC Europe region disaster management standard operating procedures (SoPs)

The Europe regional office has yet to finalise its disaster management SoPs which amongst other things, should provide guidance to the region`s response to emergencies, including those related to migration. The finalisation of the SoPs was a previous audit recommendation for the Europe region in 2015.

Agreed Action 2:

The RoE agreed to:

a)   Establish a process to implement, monitor and report on IFRC deliverables. Through the appeal, the RoE will report on progress. This will include follow-up and monitoring of the London Plan of Action.

b)   Finalise the Movement migration framework including developing indicators and means of reporting against the outcomes in the framework/strategy.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

A2	ORGANISATION, COORDINATION AND COMMUNICATION

A2.1   Organisation of work

The RoE migration surge capacity team provides technical support to some but not all the IFRC European population movement appeals.   For example, support for Turkey is excluded in some technical areas (for example, procurement/logistics), and consolidated reporting of the European population movement, such as the summary of the migration operations, do not include results for the Turkey population movement appeal.

The audit finding related to reorganisation is related to the risk assessment, reported in A1.1 above.

A2.2   Coordination and Communication

European Migration Framework

The development of the Europe Migration Framework aims to promote coordination amongst the Movement. The audit finding is reported in A1.2 above.

Secretariat communication

The European migration response involves an across the board secretariat response including roles performed at the Red Cross EU Brussels Office, IFRC country offices, as well as the RoE. The RoE`s migration team hold regular staff meetings to promote communication, and the outcomes from these meetings are documented. However, it was noted that in the minutes of these meetings that there have been concerns regarding the timely communication of information between the EU office and the RoE which have not yet been fully addressed.

Agreed Action 3:

The RoE agreed to:

Establish processes to ensure timely communication of relevant information between the various roles involved in the Europe migration operations. Focal persons will be appointed on both sides, Brussels Office and RoE, to ensure timely communication on migration related issues.

 Manager responsible for the action: Director of Region

 Due Date: December 2016

 Priority Rating: Medium

A3	LEGAL AND SUPPLEMENTARY SERVICES

A3.1   Project agreements

A sample of project agreements were reviewed for three emergency migration appeals. Project agreements have been established for each of the appeals however, it was noted that:

- *Renewal of project agreements:* For each of the three agreements reviewed, these were not timely renewed (for example, the Italy/Turkey - population movement operations).

- *Due diligence in contract review procedures*: there are standard IFRC contract templates, and amendments to these proformas require a review by the IFRC legal/technical functions. It was noted that:
  - The standard contract templates were used but this included additional clauses, which were not reviewed by the respective IFRC technical functions.
  - Project agreements over CHF1 million require the signature of the IFRC Secretary General as per the contract approvals matrix. Two such project agreements were not signed by the Secretary General.
  - The IFRC cash transfer to National Societies procedures (reporting requirements) state that as a minimum, *quarterly financial reports* should be submitted. However, in the project agreement signed with a National Society, the reporting requirement was less frequent.

- *Monitoring partners` compliance with contract terms:* project agreements state the due dates for reporting for both financial and narrative reports. However, these reports have not been submitted as per the agreement.

Agreed Action 4:

The RoE agreed to:

a)   Establish a contract database which includes expiry dates to ensure that project agreements are timely renewed.

b)   Appoint a focal point in relation to contracting to ensure that the contract approval process is known and that contract review procedures are followed. For National Societies on cash transfer, ensure that reporting is in accordance with the minimum requirements in the IFRC procedures.

c)   Establish a process to monitor reporting requirements included in project agreements. Accountability of the budget holders and focal points for supported countries will be reinforced with regard to the contract management and the resulting obligations.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

A3.2   Other legal matters

VAT exemption of National Societies

The mapping of VAT exemption of National Societies (NS) has not yet been finalised. Therefore, it could not be determined whether expenditure claims made by NS in relation to the migration operations should be exclusive of VAT. It was noted that some working advances reviewed by the auditors were VAT inclusive.

The auditors were informed that this risk will be addressed by amending the relevant articles in the project agreement. However, as at the audit not all project agreements had been timely renewed with this new article. The audit finding is reported in A3.1 above.

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SECTION B – PROGRAMME AND PARTNERSHIPS MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1   Project management, and planning, monitoring, evaluation and reporting (PMER)

Planning, monitoring and project management

The IFRC PMER global guidelines recommends a monitoring and evaluation (M&E) plan for all secretariat funded projects at the field level. An M&E plan has been developed for Croatia, but incomplete for both the Serbia and Italy population movement appeals. There were no other M&E plans available.

The region uses monitoring tools, in conjunction with monitoring missions performed by IFRC project staff. However, financial reports are not timely received and in the case of one appeal (Serbia), the first reports were received in March 2016 since starting in September 2015, and showed lower than expected expenditure.   In the absence of reporting, the appeal was increased in February 2016 (~CHF3.2m to ~CHF4.6m). However, after receiving the reports, the appeal was reduced in July 2016 (to ~CHF2.8m). The resultant reallocation of funds/resources returned to partners is in progress but has not yet been finalised.

Interviews with budget holders noted that there is a need and desire for more financial/budget holder training to improve project financial management.

Evaluation

The IFRC evaluation framework states that: secretariat programmes over 24 months should have a mid-term assessment, and all programmes should have a final assessment. The total budget for the European migration operations (inclusive of Turkey) is more than CHF70 million. Since 2012, there have been two evaluations performed (Turkey population movement - community centre). In addition, a real-time evaluation was in progress as at the audit, which had the scope of covering two countries of transit and two countries of destination. However, evaluations are not systematic and not part of the project planning process.   Further, a system to monitor the implementation status of recommendations has not been established.

Reporting

It was positive to note that a summary monitoring table of all migration appeals is retained which includes key information on the appeal. Further, there is a consolidated emergency appeal operations update for Europe. However, it was noted that:

- Operations updates are not prepared in accordance with the timeframes in the IFRC procedures for emergency appeals. For example, for one emergency appeal (Serbia) there has not been any operations update since the start of the appeal (September 2015) – with the updates incorporated in appeal revisions.

- The due dates for operations updates are not entered into APPLE and therefore do not appear as upcoming (or outstanding) reports.

- The summary monitoring table excludes the Turkey operations and does not include the project agreement reporting requirements.

Agreed Action 5:

The RoE agreed to:

a)   Develop monitoring and evaluation (M&E) plans for all appeals which include means of verification which are reviewed during project monitoring visits.

b)   Schedule and perform budget holder training for project managers. This is planned for October/November this year and will be held by the Finance Delegate of the Migration Team. Accountability of the budget holders will be reinforced through management direction and oversight.

c) Ensure that where there is more funding than required, the reallocation/return of funds is timely performed (within 1-2 months). There is a staff member assigned to the Migration Team as of mid-September, who is closely following and working on resolving all the related issues.

d) Plan and budget for evaluations in accordance with the IFRC evaluation guidelines, and develop a system to monitor the implementation of agreed recommendations from evaluations. The evaluation of the ongoing emergency appeals will be carried out at the end of the appeal time frame.

e) Record report due dates into APPLE as soon as the due date is known, and monitor that the submission of reports (narrative and financial) is in accordance with project agreements.

Manager responsible for the action: Director of Region

Due Date: March 2017

Priority Rating: Medium

B2	PARTNERSHIP AND RESOURCE DEVELOPMENT

B2.1   Resource development

Funding coverage is generally adequate however, three (Italy, Region, Croatia) of the eight migration appeals have pledges less than the 80% target. One of these appeals was recently revised which was the reason for the lower funding coverage.   It was noted that a funding plan was available for all appeals, and the auditors were informed that the customer relationship management (CRM) was being used to consolidate communication with potential partners. There were no reportable issues noted.

B2.2   Partnership development

The IFRC works in partnership with the respective in-country National Societies.   In some cases, the National Society engages with third parties to implement its activities. In a sample of partnerships reviewed, it was noted that one National Society had initiated a partnership with an external organisation (MOAS) for the provision of specialised services.   The IFRC made recommendations in relation to this partnership but these recommendations had not yet been fully implemented. The audit findings are made in section A1.1.

B3	LOGISTICS, PROCUREMENT AND FLEET

B3.1   Procurement

National Society (NS) procurement

International and other major procurement are performed by the IFRC Global Logistics Services (GLS), but procurement is also performed by NS. It was noted that:

- The clause in one agreement with a NS states that *"it was agreed that the National Society will use the IFRC GLS for most of the procurement"*.   However, it was not specified what "most" would include and thresholds were not established. In the period October 2015 to March 2016, the respective NS reported more than CHF300K of local procurement. The NS also signed a contract for more than CHF2m with a service provider. Based on the agreement clause it could not be determined if this was in compliance with the agreement.

- Another NS performed local procurement of more than CHF1m between June 2015 to June 2016, and there is no current project agreement between the IFRC and this NS. The previous agreement included non-standard clauses in relation to procurement by the NS which were not approved by the respective technical departments.

- The audit performed sample testing of ten working advance transactions which included procurement. Six did not have the expected supporting documentation including technical approval from GLS for amounts over CHF50K, and for construction. The auditors were informed that the reason was because the NS was not aware of the requirement, despite this clause being included in the respective project agreement.

Procurement technical support and capacity development

It was noted that the oversight role of the logistics/procurement function in the RoE does not include procurement performed by one NS. Further, the absence of full compliance by NS of the IFRC procurement procedures, indicates a need for further communication and/or capacity development.

Agreed Action 6:

The RoE agreed to:

a) Clarify when the National Society can perform procurement and when procurement must be performed by the IFRC, and incorporate the relevant clauses in the respective project agreements. Ensure that additional clauses to the standard contract templates are reviewed by the respective technical functions.

b) Establish a process to ensure that the IFRC procurement procedures are known and followed by National Societies. This should include monitoring, capacity development and sample testing of procurement files by the IFRC to ensure compliance. The 2017 Regional Plan is to cover the need for stronger capacity development.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Financial management and oversight

Finance oversight of Europe migration appeals

Seven of the eight European migration appeals have their financial transactions submitted to the RoE for validation, approval and processing.   For the remaining appeal, the IFRC Country Office records the working advances of the National Society. In the case of Greece, the RoE performs an oversight function, with the RoE finance analyst reviewing the monthly field returns and performing sample testing of the transactions. It was noted that:

- the monthly field returns have not been forwarded to the RoE since the start of the operations. The testing of documentation was performed by the regional financial analyst in Greece. Further, the files from November 2015 to April 2016 were only performed in May/June 2016.

- the last financial review of the Greece accounts was for April 2016, and were therefore not up to date.

Oversight which is not performed consistently and timely, may result in unresolved issues and inaccurate reporting.

Agreed Action 7:

The RoE agreed to establish a monitoring process to ensure that:

a)   Timelines are established for the submission of monthly financial returns, and the RoE monitor compliance (and escalates to management if this is significantly delayed or not consistently being performed).

b)   A new staff recruited is expected to result in more timely submission of field returns. Sample transactions will be requested as scanned copies after the month-end closing, to ensure that timely oversight is performed.

c)   The RoE performs timely financial oversight of the Greece operations, with outstanding matters being followed up and resolved.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C1.2   Partner working advances and cash transfers

Working advance with National Societies (NS)

A sample of eighteen working advance transactions were reviewed. It was noted:

- Two had been processed by the IFRC but had not been signed by the NS, nor approved by the IFRC. This amount totalled more than CHF450K, and included local procurement. A review of the procurement files noted that these were incomplete, and the required approval had not been obtained from the Regional Logistics Unit (RLU).

- Delays in recording working advances by the IFRC. In two samples, the expenditure was approved by the IFRC three to four months after being received by the NS. The auditors were informed that where there were insufficient supporting documents, these were not booked until all supporting documentation was obtained.

- The auditor requested the last working advance confirmation for two NS. This confirmation was not provided. The working advance balances as at June 2016 for these two NS amounted to over CHF2m.

Cash transfers with NS

A limited number of NS are functioning on the cash transfer system. This modality requires the NS to submit a financial report to the IFRC, and requires a cash transfer assessment of the NS every three years. It was noted that:

- The cash transfer assessment for one NS was performed in November 2015. However, this assessment had not been approved by the RoE Financial Controller or the Regional Director. Further, there was no evidence that recommendations from the previous external audit of the NS had been implemented.

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- The reporting requirements outlined in the project agreement with the NS are not monitored and this has resulted in delayed submission of reports.

Agreed Action 8:

The RoE agreed to:

a) Strengthen the account processing systems to ensure that only validated and approved expenditure is recorded into CODA. Review the working advance documentation under question to ensure that this is complete with any gaps identified documented in a note to file.

b) Timely review the submission of working advances by National Societies to ensure these are processed as soon as possible after being submitted. The mentioned working advance reports will be reviewed; missing documents are obtained and memo/note attached to the file.

c) Perform and document the monthly reconciliation of working advance balances with national societies.

d) Finalise the cash transfer assessment by ensuring this is approved by the IFRC, and the National Society is formally communicated the results of the assessment.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C1.3   Finance supporting documentation

A sample of forty-three financial documents were reviewed from three European migration appeals. It was noted:

- Two examples of the budget holder approving their own expenditure. This included costs incurred in changing their own flights, and procurement of equipment performed by the staff member.

- Two examples of procurement performed by the IFRC RoE which did not have the expected supporting documentation including comparative bid analysis and purchase order. These amounts were directly expensed and were not firstly recorded as an accounts payable.

- Two consultancy contracts which did not have evidence of approval from the Under-Secretary General (Management) for amounts over CHF10K, as required by the procedures.

- One example of a deposit being immediately expensed and not recorded as an accounts receivable.

- Four examples of expenditure reallocations (EXPR) without adequate supporting documentation.

- Three examples of CODA documents where there was no supporting documentation on file.

The other reportable issues are noted in the procurement (B3.1) and working advance (C1.2) sections of this report.

Agreed Action 9:

The RoE agreed to:

a) Develop and communicate a list of expected supporting documentation by transaction. This should include:
   - *Procurement:* logistics requisition, comparative bid analysis, purchase order, invoice and distribution lists**.**
   - *Consultancies:* for amounts over CHF10K, approval by the Under-Secretary General (Management)
   - *General:* additional approval from the line manager where the budget holder approves their own expenditure; and supporting documentation is attached to each CODA journal entries.

b) Review of the journal entries by the financial controller prior to posting to ensure accuracy.

A new finance structure for the ERO will enhance accuracy and controls on accounting and supporting documentation.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2	HUMAN RESOURCES

C2.1   Human resource matters related to migration operations

Human resource processes and file testing

A sample of recruitment processes, and personnel files were reviewed in relation to migration operation staff. The status of performance objectives was also reviewed. It was noted that:

- *Recruitment and leavers*: a sample of four recruitments and three leavers files were reviewed which noted:
    - A starters/induction checklist is not used when new staff join the IFRC. Therefore, there is no systematic process to ensure that new staff have been briefed appropriately, and required administrative arrangements have taken place.
    - Criteria have not been established on whether a probation period and assessment is required for previous IFRC employees. This is determined by the human resources function on a case by case basis, which could result in an inconsistent application.
    - No detailed leavers checklist has yet been established when a staff leaves the operation. There were gaps in personnel files with respect to: end of mission reports, resignation letter, and clearance forms. It was noted that a secretariat wide e-boarding process will be initiated from mid-August 2016.
- *Personnel files:* a sample of four personnel files were reviewed with the following findings:
    - Employees sign two employment contracts which may result in different dates of signing. For example, upon their arrival to the RoE, in addition to signing and forwarding a contract to the Geneva human resources department. Some documents for the Greece staff were also retained by the IFRC Country Office.
    - In one file sampled, a staff had no signed contract for a three-week period (July 28 - August 18, 2016).

Housing guidelines

Housing guidelines should be prepared for all locations where accommodation is provided by the IFRC. The RoE should have an oversight role to ensure these housing guidelines are appropriate and are approved. For the European migration operation locations, there were no housing guidelines established. This was a finding from the previous audit of the RoE (2015) not yet implemented.

Agreed Action 10:

The RoE agreed to:

a)   Coordinate with the Geneva secretariat (and the IFRC Greece Country Office) human resources function in relation to the required supporting documentation which should be retained by the RoE, including for previous IFRC staff. The Federation-wide e-filing system is to be established soon by Geneva which will be used.

b)   Implement the e-boarding process for leavers to ensure that all required tasks are completed prior to a staff`s departure. This will be implemented as of mid-August.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C3	INFORMATION SYSTEMS

C3.1   Information management

Information and statistics from National Societies (NS) involved in the European migration response are consolidated by the IFRC and are made available on a public webpage. This information includes data from Federation wide activities. However, in a comparison between the IFRC operations update (4th August 2016, and the public website information), the following were noted:

- The IFRC noted that the a NS assisted with 131,013 requests for the restoration of family links. However, the "*Summary of Red Cross Response"* indicators noted that there were 606 tracing requests. The operations update figure was incorrect due to a typing error.

- A NS reported that as of 2nd June the Red Cross assisted with 64,776 people with psychosocial support (PSS). However, the "*Summary of the Red Cross Response*" indicated that there were 46,995 people assisted with PSS.

A process has not been established to ensure that figures are cross checked for reasonableness and consistency. Further, there is a limited ability to verify the information being reported by National Societies, and there is no disclaimer or qualification on the webpage to indicate the limitations of the information being reported.

Agreed Action 11:

The RoE agreed to:

a)   Ensure the accuracy of figures being included in reports (e.g. through capacity building information management trainings to ensure National Societies have knowledge/ownership of their own data)

b)   Assess if a qualification should be added to the webpage to indicate the limitations in relation to the accuracy of the information being reported.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

PART II DETAILED OBSERVATIONS – GREECE MIGRATION OPERATIONS

NO. IA-2016-08

SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT AND OVERSIGHT

A1.1   Risk management

Risk register

An important role of management is to identify, assess, and appropriately manage risks. Several functions have developed their own risk management process, and some risk management practices have been established including awareness of risks and its consequences. Actions were also taken to resolve such identified risks. However, the above is not adequately monitored in a documented up-to-date and consolidated risk register for the entirety of the operation. A risk assessment for the Greece operations was drafted in May 2016, but has not been updated.

Further, a review of this initial risk assessment noted that:

- Seven areas of key risks were identified. However, a process to ensure that action plans to mitigate these risks are implemented and monitored has not yet been established.

- Risks are not inclusive of all functions such as administration, security, IT, communication, resource mobilisation and planning/monitoring/evaluation/reporting (PMER).

- Risks associated with camp management and the role of the NS/IFRC have been identified informally, but have not been included in the risk register.

Agreed Action 1:

The RoE agreed to:

Develop a process to ensure that risks are timely identified, assessed, and managed for the operations. This should include maintaining a risk register and risk mitigation action plan, which is regularly reviewed. The existing Risk Register will be formally updated in Q4 of 2016 and Q1 of 2017 and will incorporate mitigation measures for each risk identified.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

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A2	ORGANISATION, COORDINATION AND COMMUNICATION

A2.1   Organisation

The operations are in the process of recruiting additional staff and reorganising how it works. The reportable issues are noted in section C2.1.

A2.2   Coordination and communication

Emergency Response Units (ERUs)

ERUs are an important part of the IFRC`s disaster response tools and in Greece, ERUs have been mobilized since September 2015. ERUs should work in close coordination with the IFRC. The auditors acknowledge that ERU personnel have been constantly rotating due to the operational context, and there has been communication with IFRC technical functions regarding ERUs` staffing. However, organisational charts for all ERUs have not been communicated to the IFRC, including a process to ensure that the IFRC is timely informed of changes to ERU personnel.

Further, where an ERU obtains funding through the IFRC, ERUs are required to comply with the relevant IFRC procedures. However, the following were noted:

- relief/procurement plans are not timely communicated to the IFRC to facilitate efficient and timely procurement.

- some poor procurement practices from ERUs were observed, such as splitting procurement orders to below thresholds, and initiating procurement without following the relevant procedures. Training amongst the respective ERUs has not been performed to increase their awareness of IFRC procedures.

- ERU working advance requests and expense reports are not reviewed by an IFRC technical/programme coordinator prior to being approved and recorded as expenditure.

Communication

Communication between relevant stakeholders is formalised through weekly internal IFRC meetings, and regular meetings with PNS. Overall, communication is functioning, but it can be improved. It was noted that:

- there are gaps in internal communication between the field locations and the Athens Country Office.

- there were examples of information which should be shared more broadly. For example, timely sharing agreements signed, with the finance function to make the required budget changes.

- in two migrant camps visited, camp hygiene standards differed significantly, and there were good practices implemented which could be replicated in the other camp. The auditors noted that there are challenges to implement a common approach across sites nevertheless, there has been limited exchange between camps.

Agreed Action 2:

The RoE agreed to:

a)   Improve the management and coordination of the ERUs, namely:
- Map/consolidate information about ERUs` staffing, and establish a process to timely communicate changes.
- Train/communicate the required processes and documentation to comply with IFRC and grant requirements.
- Ensure ERU working advance requests and expense reports, are reviewed by the respective IFRC programme/field coordinators and this review is documented.

b)   Strengthen communication to ensure relevant stakeholders are timely informed, namely:
- Map the existing internal and external communication tools and activities across the NS/IFRC Country Office, and identify and address any gaps.
- Establish a consolidated communication plan based on the above mapping and collection of data.
- Reinforce internal communication processes within the camps and between the field and the Athens Country Office.
- Share and replicate best practices with and among different camp sites.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

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Priority Rating: Medium

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A3	LEGAL AND SUPPLEMENTARY SERVICES

A3.1   Contract Management

Authority to sign contracts

The Country Office is signing contracts under the name of the IFRC Region of Europe (RoE) office. The Director of the RoE has delegated his authority to sign contracts to the Head of Country Office for leasing agreements, procurement and contracting of temporary staff. The Head of Country Office has subsequently sub-delegated some of this authority to sign leasing contracts. However, there was no evidence to indicate that the person with the initial authority, was formally informed of, or permitted this sub-delegation of authority.

Further, other contracts are signed under the name of individual staff members using a personal tax identification number (TIN). This includes lease contracts for staff accommodation, and mobile phone contracts.

Contract database

A database is established to record and monitor international staff housing contracts. However, this database does not include other contracts such as the project agreement with the NS, contracts with partner National Societies to implement the ECHO grant, nor the service contract signed with an employment agency. The details of these contracts are retained separately on the e-contracts system, and the information is not consolidated to enable monitoring of commitments and contract expiry dates.

Agreed Action 3:

The Country Office agreed to:

a)   Request approval for any sub-delegation of authority from the original authority (for example, by stating in the delegation of authority, that sub-delegation is permitted so long as there is prior written consent).

b)   Transfer all existing contracts registered with a personal tax identification number (TIN) to the new TIN of the IFRC Region of Europe (RoE) office. Register all new contracts with the RoE TIN.

c)   Assess and mitigate the potential risks associated with individual staff members having used their personal TINs in contracting.

d)   Establish a centralised contract database which enables the office to: monitor the status of all contracts including commitments made, and contract expiry dates.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: High

A3.2   Labor law, staff regulations and contracting

Staff secondment to the NS

As at the audit, the IFRC employed around fifteen international staff based in Greece. One national staff has been recruited through a third-party employment agency, contracted under the name of the IFRC RoE. There are plans for additional national staff to be recruited in the same manner.

The audit reviewed the secondment process which was reported separately to management.

IFRC national staff regulations

National staff working for the IFRC sign an agreement with the third-party employment agency which includes the terms and conditions of their engagement. The agreement states the remuneration and other conditions such as the entitlement to a per diem. However, the IFRC has not yet established national staff regulations or other guidelines which outlines details such as the per diem rate, overtime or other issues relevant to national staff.

Payment for services provided by contractors

The Country Office engages the services of nationals and/or migrants to perform casual services such as translation, labour work, or support for health services. However, an agreement or the terms of the engagement are not systematically established between the IFRC and the service provider. Further, the Emergency Response Units (ERUs) engage similar services at migration camps and there is no agreed rate or payment grade to ensure that this is standardised across all IFRC supported programmes. This may result in significantly different rates of pay in different locations for similar services provided.

Agreed Action 4:

The Country Office agreed to:

a)   This agreed action point was reported separately to management.

b)   Assess (in consultation with legal and human resources functions) the need to have national staff regulations (or similar).

c)   Establish an agreement with temporary service providers, and develop a payment scale to be applicable to all IFRC supported programmes.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: High

A3.3   Other legal matters

The audit reviewed other legal management processes. Several performance improvement observations were made which are reported separately to management.

Agreed Action 5:

The agreed actions points were reported separately to management.

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SECTION B – PROGRAMME AND PARTNERSHIPS MANAGEMENT

B1	PROGRAMME, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1   Project management

The Greece population movement appeal started with a budget of ~CHF3 million (~45,000 beneficiaries) in September 2015, and was revised to a budget of ~CHF28 million (~300,000 beneficiaries) in May 2016. The timeframe has also been extended until March 2017. It was noted that:

- The appeal budget of ~CHF28 million is comprised of one project and has one project manager – the Head of Country Office.   Although some of this authority has been delegated, the sole project manager is required to review and approve almost all expenditure related to the appeal.

- The budget for the appeal has not yet been adjusted to reflect the cash transfers to be made to National Societies for the ECHO grant. For example, the budget line item for "contributions and transfers" does not include the transfers which will be made to the four partner National Societies (PNS).

Agreed action 6:

The Country Office agreed to:

a)   Revise the project management structure to split the appeal into multiple projects, with additional project managers assigned to monitor and manage their respective projects. The appeal revision will be taken place in Q4 2016 and Q1 2017.

b)   Review and amend the project budget and ensure that future major changes are reflected through an amended budget.

Manager responsible for the action: Head of Country Office

Due Date: September 2016

Priority Rating: Medium

B1.2   Planning, monitoring, evaluation and reporting

ECHO contract

The IFRC signed a contract with ECHO to receive a grant of ~CHF15 million, starting from March 2016. Part of the ECHO contract will be used by the host NS, as well as PNS who are working in consortium with the IFRC. Where the ERU is receiving funds from the IFRC, this requires compliance with IFRC procedures. It was noted that:

- where funding is used to support the host NS staff salaries, copies of employment contracts and respective job descriptions are not yet obtained, to ensure that costs are charged in accordance with the project/donor agreement.

- child protection is an integral part of the project grant proposal, and the principles of protection are included as conditions in the respective project agreements. However, child protection is not part of the training/induction process, including requiring relevant staff to complete the *"Child protection at the IFRC"* e-learning training. As at the audit, no staff at the Greece Country Office were recorded as having completed this training.

Overall monitoring

The IFRC planning, monitoring, evaluation and reporting (PMER) global guidelines, recommends establishing a monitoring and evaluation (M&E) plan for all secretariat funded projects at the field level. It was noted that a M&E plan has been established for the operations, however, some targets and indicators are not specific or measurable.

Open Data Kit (ODK) system (data collection system)

Since April 2016, the ODK system has been rolled out (with the support of a PNS) in health and relief programmes within migrant camps. The audit noted that implementing technology such as ODK is a positive initiative and further, a manual has been developed for its use. The following was also observed:

- There are plans to expand this to health and relief activities in all camps, but this is not yet fully implemented.

- ODK is also used to retain distribution lists. However, this is implemented in some locations only, meaning that some distribution lists are kept manually, and others are on the ODK system.

- ODK is used through mobile phones to collect data, but there is no password requirement to enter information. This may result in unauthorised changes to the data compromising data accuracy.

Agreed action 7:

The Country Office agreed to:

a) Develop grant management capacity to ensure ECHO requirements are understood and are fully complied with. This should include regular verification of ECHO requirements to ensure expenses are eligible.

b) Implement training and induction processes to ensure that the IFRC and ERUs are fully aware of and comply with the IFRC Child Protection Policy. This should include ensuring that relevant staff complete the *"Child protection at the IFRC"* e-learning training.

c) Improve the monitoring and evaluation (M&E) plan with specific, measurable, achievable, realistic (SMART) targets/indicators. An indicator tracking table for the overall appeal will follow with monthly monitoring of targets, complete with a risk register, in addition to the bi-weekly programme reporting to the operations manager for increased accountability.

d) Develop an implementation plan for the use of ODK across the migration operations.

e) Strengthen the information security of ODK. To further clarify the process of data collection through ODK: once the form is in place, the form itself cannot be modified using the phone, and access to the database is only possible to a selected group. In addition, if a data entry is found to be questionable, the hardware can be traced back to the relevant sector, user and timing of data collection. Also, hard copies are available for verification if need be.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

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B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT

B2.1   Resource development and pledge management

The Greece population movement appeal has reported funding coverage of more than 100%. However, the budget has not yet been adjusted to reflect programmes implemented by PNS regarding the ECHO grant. The audit finding to amend the budget is included in B1.1 above.

There were no other reportable issues noted.

B2.2   Partnership development

The emergency plan of action includes capacity development activities with the NS. However, a longer-term NS development plan has not yet been developed. There are opportunities to support the NS in areas such as communication, procurement, vehicle and logistics/warehouse management.

Procurement

The project agreement between the IFRC and the NS states that "*the NS will use the IFRC secretariat`s Global Logistic Service for most of the procurement and an IFRC procurement/logistics specialist could be deployed to Greece to increase the NS`s procurement capacity*". The IFRC works closely with a NS counterpart on procurement and the NS has received training on the IFRC procurement processes, however:

-    training of NS staff has not yet ensured full awareness of and compliance with IFRC procurement procedures.

-    a supplier database has been established at the NS, but this database is incomplete, and has not been updated.

Vehicle management

The IFRC does not own or directly rent vehicles, and uses the vehicles of the NS as required. The management of vehicles is performed by the NS however, principles from IFRC fleet manual are not yet replicated by the NS to further develop vehicle management processes.

Logistics and warehouse management

The NS manages warehouses located in Athens and three other locations for storing goods for relief activities. Containers are also retained at sites to facilitate the distribution of food, non-food items and shelter. The audit noted:

-    There is no proper software package to manage the stock and individual stock excel sheets are maintained for each warehouse. A consolidated stock report is not yet established.

-    The excel stock sheets do not state the initial stock, nor the value of the stock. The final stock is a calculation of quantities of received goods and issued goods.

-    A stock count was performed in July 2016 and stock reports are prepared weekly. However, there is a lack of segregation of duties in the stock count process. Furthermore, surprise stock counts are not performed.

-    A reconciliation between the waybills and the distribution list to beneficiaries is not performed.

Agreed action 8:

The Country Office agreed to:

Identify with the NS priority areas for capacity building/development. Concrete steps are being taken in the areas of logistics (as well as communications, resource mobilisation, volunteering, social inclusion and disaster management).

Manager responsible for the action: Head of Country Office

Due Date: March 2017

Priority Rating: Medium

Agreed Action 9:

The Country Office agreed to develop NS capacity in relation to logistics, procurement and fleet management:

a)   *Procurement:* A capacity development plan for NS procurement is to be established. This should include

enhancing the existing supplier database, and providing training.

b) *Vehicle management:* A capacity development plan for NS vehicle management is to be established. This could include establishing systems to enable consistent and minimum standards are maintained.

c) *Warehouse:* A capacity development plan for NS warehouse management is to be established. The IFRC warehouse manual could be used as guidance on the standards to be implemented.

Manager responsible for the action: Head of Country Office

Due Date: March 2017

Priority Rating: Medium

B3	LOGISTICS, PROCUREMENT AND FLEET

B3.1   Procurement

Roles and responsibilities for procurement

The IFRC Country Office in Greece performs limited procurement which consists mostly of office equipment. Procurement for the operations is mostly performed by the IFRC Global Logistics Service, and in some cases procurement is performed by the NS.

Where local procurement is initiated by the NS, it was noted that the logistics requisition (LR) could be prepared by the NS, with the purchase order (PO) signed by the IFRC. There could also be the opposite case where the IFRC initiates the LR but the PO is signed by the NS. In these cases, the roles, responsibilities and accountability for the procurement process is not clearly established between the respective parties.

Consolidated procurement planning and measuring process efficiency

Further to A2.2 above, it was noted that although a consolidated procurement plan incorporating ERU, field and NS procurement for the operations is in progress, this has not yet been finalised. A consolidated planning process will assist with timely ordering, and delivery of goods, and may also benefit through economies of scale.   In addition, targets (for example, process indicators), have yet to be established to measure the procurement process efficiency.

Agreed Action 10:

The Country Office agreed to:

a)   Clarify roles and responsibilities (vis à vis the IFRC and the NS) in relation to procurement to ensure that this is consistent with the project agreement, and that logistics requisitions and purchase orders initiated by the NS are signed solely by the NS, and those initiated by IFRC are signed by the IFRC.

b)   Establish a process to identify upcoming procurement activities (where possible) and prepare a consolidated procurement plan.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

B3.2   Vehicle management

The IFRC does not own or rent vehicles and uses the vehicle services of the NS. Capacity development audit findings are noted in B2.2.

B3.3   Logistics/warehouse management

The IFRC uses the warehouse services of the NS. Capacity development audit findings are noted in B2.2.

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B4	SECURITY

B4.1   Security Framework and incident reporting

Minimum security requirements (MSR) and security training

To fulfil the MSR, a security consultant was engaged by the Country Office to review the security environment and to provide recommendations for improvement. The consultant`s visit in early 2016 made recommendations which have not yet been fully implemented, including: tracking staff movement (outside of Athens), and reviewing security and safety for IFRC staff at migration camps.

All IFRC contracted staff are required to complete the e-learning security training module "*Stay safe - personal security*", with managers required to complete the "*Stay safe – security management*". Not all staff have performed the required trainings relevant to their role. The auditors were informed that some staff had completed the training but this is not registered in the e-learning platform. However, the human resources or security function did not have access to the e-learning database to enable them to verify this database with staff.

Security incident reporting

A report should be documented following all security incidents. A process is in place for security incident reports to be prepared and submitted to the IFRC Country Office for all field related matters. However, this process did not include security incidents in the Country Office and there was one instance of missing equipment which was not reported. Further, an analysis of the reports (including trends and mapping of incidents), and steps to mitigate the security risks has not yet been performed.

Office security and safety

IFRC staff are located at the NS premises and have been allocated one floor with several offices in the building. The IFRC relies on the NS`s office security system. The following were noted:

- there is no agreement signed between the NS and the IFRC in relation to the respective roles and responsibilities for the Country Office, including for security.
- fire extinguishers are located on each level, but there has not been a fire drill conducted since the IFRC started.
- there are no keys to the offices and there was one instance of inventory which could not be accounted for.
- the Country Office does not yet have fully equipped first aid boxes.

Agreed action 11:

The Country Office agreed to:

a) Review the security management of staff/resources under the IFRC security umbrella and ensure that risks (especially in relation to the migrant camps) are managed, and previous security recommendations are implemented. This should include developing a process to register security incident reports and analyse trends such that security risks are mitigated.

b) Obtain the database of e-learning trainings to assess and monitor the completion of compulsory security training.

c) Clarify the roles and responsibilities with the NS in relation to Country Office security which is documented in a signed agreement.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Financial management and oversight

Project financial management

There is one project manager/budget holder and regular (monthly) financial reports are available and forwarded to this budget holder. However, other project staff involved in overseeing programs do not receive these regular financial reports and are only provided with financial information upon request. Consequently, expenditure might not be regularly reviewed against the budget to identify and address major discrepancies.

It was further noted that the appeal budget has not yet been amended to reflect the ECHO grant cash transfers to National Societies. For example, there is no budget recorded in the relevant account (8301), and there will be expenditure to this account of more than CHF3 million (see also section B1.1).

Accounting management - balance sheet review

The finance function is resourced with one finance officer and a finance/administration manager. The Country Office has identified a need for more resources, but due to the challenges in recruiting national staff this has not been possible. In general, there were few outstanding items in the last balance sheet reviewed however, it was noted that:

- supplier/deposit accounts are not used, and prepaid accounts are not monitored and adjusted monthly.
- working advances to National Societies (account 1422) and working advances to delegates (account 1444) have been provisioned (~CHF467k as at May 2016). However, working advances to bilateral National Societies (account 1425) are not provisioned (these amounts related to IFRC expenditure administered through ERU teams, and amounted to ~CHF46k as at May 2016).

Agreed Action 12:

The Country Office agreed to:

a)   Communicate monthly project financial information to senior management, relevant staff (as well as the program managers) to promote financial monitoring of projects and activities. For major differences between budget and actual, request explanations.

b)   Improve account management of supplier accounts, refundable deposits and pre-payment accounts, namely:

- Establish supplier accounts payable for regular and major suppliers.
- Record refundable deposits as accounts receivable, and regularly monitor and sub-analyse these accounts to ensure that deposits are timely recovered.
- Review the prepaid account balances monthly, and record the monthly expense journal entries to ensure that expenditure is recorded in the correct period.

c)   Provision the amounts recorded as working advances to bilateral National Societies (account 1425) (which relate to IFRC expenditure administered through ERU teams).

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

C1.2   Partner working advances and cash transfers

As at May 2016, working advances to the host NS amounted to ~CHF455k. These amounts have been transferred to the NS in Euro. The IFRC working advance procedures to National Societies states that "*Working Advances shall be paid in CHF by the IFRC to the local currency bank account of the NS. Any exception shall be approved by the Chief Financial Officer*". The audit noted that there was no documentation to approve the working advances in Euro.

The host NS is required to retain their original supporting documentation, and therefore submits certified copies of financial documentation to the IFRC. The IFRC working advance procedures states that "*the original documentation must be stamped with a Federation stamp and the copies marked as "Certified true copy of the original*" *and signed by a Federation representative*". The certification of the original documents was being performed by the NS and not the IFRC as required by the procedures.

Agreed Action 13:

The Country Office agreed to:

Improve the management of working advances to National Societies, namely:

a) Issue, account and report working advances to the NS in CHF, or alternatively, obtain the relevant approval to use EUR currency.

b) Process the certification of working advance in accordance with the IFRC working advance procedures, with the original documents certified by an IFRC representative.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

C1.3   Cash and bank management

Bank management

The audit reviewed the bank management process. Several performance improvement observations were made which are reported separately to management.

Cash forecast

Since March 2016 until the time of the audit, the Delegation had consistently held in its bank account, more cash than needed to run the operations. For example, in June 2016 the bank account balance was ~EUR807k. The holdings of balances in Euro contributes to exchange rate revaluation losses. For the period January-June 2016, there was CHF23K recorded as foreign exchange differentials (account 7604).

Agreed Action 14:

The Country Office agreed to improve the cash and banking management practices, namely:

a) This agreed action was reported to management separately.

b) Establish a monitoring process to ensure that cash requests are performed on a cash needs basis to keep bank account balances within a reasonable level.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: High

C1.4   Petty cash management

Cash Management practices

An internal document (finance protocol) has been established by the Country Office in December 2015. This outlines several processes regarding working advances, travel, contract management, and taxes. However, it was noted that:

- there is no cash policy/cash ceilings established to limit the amount of working advances to staff.
- surprise cash counts are not performed/documented monthly.
- pre-numbered receipts are issued when the finance officer receives cash but the same does not happen when the finance officer issues cash. In addition, receipt numbers are not recorded in CODA as part of the transaction description or booked as an external reference in CODA.

- there is only one finance officer and as the Country Office has been unable to hire local staff until June 2016, there is a lack of segregation of duties between the petty cash custodian and processing the transaction in CODA.

Management of cash in the safe

The audit reviewed the physical cash management process. Several performance improvement observations were made which are reported separately to management.

Agreed Action 15:

The agreed actions points were reported separately to management.

C1.5 Finance supporting documentation

A sample of 83 expenditure transactions were tested. The following was noted:

- For procurement performed through working advances, the requisitions for procurement were not attached (13 of 15 transactions tested);
- Working advance requests were not submitted with sufficient details indicating what the money was intended for (2 of 15 transactions tested). For example, working advances were used for field procurement where amounts were split into 6-8 amounts for procurement of the same items in the same day;
- Purchase of equipment, such as mobile phones, did not indicate for what/whom the equipment was for;
- List of participants were not attached to some workshop related expense reports;
- Translation of documents (Greek to English) was not always sufficient to understand the nature of the transaction;
- One warehouse rental contract had expired and was attached as supporting documentation;
- Rental agreements were not consistently attached as supporting documentation;
- Three of the documents tested (ANY, FCAST, RBN) did not have any attached supporting documentation;
- Two transactions tested related to cash withdrawals and were subsequently split between two accounts (2990 and 2995) and were not reconciled.
- Multiple cash payments are processed with one single POF document code.

Agreed Action 16:

The Country Office agreed to:

a) Develop and communicate a list of expected supporting documentation by transaction to ensure that all expenditure can be adequately supported. This should include documentation required for: procurement, workshops, contract payments: working advance request and general principles in relation to supporting documentation for CODA entries (including journals).

b) Review the accounting process and make the following improvements: record cash payments (POF) with one single POF document; clear the 2990 account (against the ROXs transactions) and reconcile the 2995 account with the same account in the RoE`s accounts.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

European migration operations
Audit Report No. IA-2016-08
November 2016

C2	HUMAN RESOURCES

C2.1   Recruitment, job specifications and classifications

The IFRC Greece Country Office engages around fifteen international staff and had one national staff as at the audit. The Country Office has not been able to recruit the necessary national staff. The Country Office recently recruited the one national staff through a local employment agency, and the recruitment of an additional fifty national staff has been initiated.

Because of the limited staffing there have been limitations in the work which can be performed, including segregating duties in functions such as finance. For example, in relation to petty cash payments and processing (see C1.4). As at the audit, the recruitment and reorganisation of the Country Office had not yet been finalised.

Agreed Action 17:

The Country Office agreed to: finalise the recruitment process to ensure that the Country Office is resourced with the required staffing to achieve its objectives, and to reorganise tasks to ensure that there is adequate segregation of duties.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: High

C2.2   Starters, leavers and performance management

Starters and Leavers

A standard starters/induction checklist is not used when new staff join the Country Office. Therefore, there is no systematic process to ensure that new staff have been briefed appropriately and required administrative arrangements have taken place.

Similarly, a standard leavers checklist has not yet been established when a staff leaves the Country Office. Only an asset clearance form is used and hence, there is no systematic process for tracking that all debriefings have been conducted, the end of mission report has been concluded and all handover procedures have been followed. It is noted that a secretariat wide e-boarding process will be initiated from mid-August 2016.

Objective setting

Staff are required to have annual objectives established on a timely basis. As at July 2016, data collected from the learning platform showed that the 2016 objective setting for many staff had not yet been finalised.

Induction/Training

For starters, a briefing programme is developed as part of the induction process. However, it was noted that briefings are not necessarily documented and/or comprehensive. For example, gaps in the completion of compulsory training including Stay Safe by all staff, as well as budget holder training has not been conducted. Therefore, not all staff interviewed were aware of the relevant procedures such as Safecall or the corruption prevention e-learning training.

Agreed Action 18:

The Country Office agreed to:

a)   Develop and implement a starters checklist. At the time that a new staff member joins the IFRC, the starters checklist should be used to ensure that all administrative arrangements are performed, a comprehensive induction is conducted, and the main IFRC procedures and policies are shared.

b)   Implement the e-boarding process for leavers to ensure that all required tasks are completed prior to a staff`s departure.

c)   Ensure that 2017 objectives are established by the due date (Q1, 2017).

d)   Assess and reinforce the induction process, namely:

-    Implementing a timely, documented, comprehensive and tailored induction program.
-    Conducting support services and budget holder training sessions on an interim basis to brief staff on the procedures in relation to finance, logistics/procurement, administration, IT, etc.
-    Identify key areas requiring refresher courses and develop a training program.

Manager responsible for the action: Head of Country Office

Due Date: March 2017

Priority Rating: Medium

C2.3   Payroll and remuneration

The payroll for national staff is outsourced to an external employment agency. The IFRC Country Office forwards the required monthly information to this company, who then prepare a summary table for processing. This is then confirmed by the IFRC human resources/administration officer. However, the process to ensure that it is validated by the finance manager and approved by the Head of Country Office has not yet been established.

Agreed Action 19:

The Country Office agreed to strengthen the payroll review process by ensuring this is validated by the finance manager and approved by the Head of Country Office. The signed summary table should then be attached to the respective journal or payment (PBN or SPI) to the third-party company.

Manager responsible for the action: Head of Country Office

Due Date: September 2016

Priority Rating: Medium

C2.4   Personnel files

Complete personnel files for both international and national staff are expected to be retained by the country office. All staff files were reviewed by the auditors and it was noted that the files are not adequately indexed and organised, and there were instances of incomplete files. Documentation missing included: contract, job description, signed code of conduct and IT acceptable use policy.   It was noted that some documentation was filed by the RoE indicating that information is dispersed in separate locations.

Agreed Action 20:

The Country Office agreed to:

a)   Develop a checklist on the minimum documents required for each personnel file, and ensure that files are indexed accordingly.

b)   All personnel files are reviewed and updated to ensure that they contain all required documents and information.

c)   Communicate with the RoE to agree to what files are retained by the Greece office and what files are retained by the RoE.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

C3	ADMINISTRATION, ASSETS AND INVENTORY

C3.1   Administrative processes, policies and procedures

Organisation of work

Administrative tasks of the IFRC Country Office are performed jointly by the IFRC and the NS counterpart. This includes processing travel orders, support for visa applications and reservation of flights. Although the work was coordinated effectively, it resulted in a division of tasks between the IFRC and the NS, with the NS performing functions which the IFRC should normally undertake for its operations. The support of the NS was necessary due to the absence of human resources at the IFRC to perform these tasks. The IFRC has since recruited additional national staff but tasks have not yet been reorganised to transfer responsibility to the IFRC.

Visa renewals

International staff require visas to enable them to work in country. For non-EU staff, it can be a complex and costly process as the visa may need to be obtained from outside of the country. A database of the expiry dates of visas, as well the procedures for the visa renewal process have not yet been established to manage the risks of timely visa renewals. The auditors were informed that there was at least one incident where this required the international staff to remain out of country for an extended period, to renew their visa.

Housing guidelines

Housing guidelines should be prepared in locations where staff accommodation is provided by the IFRC. There are no housing guidelines yet developed. Monthly rental ranges were established, and accommodation is provided fully furnished, but in the absence of housing guidelines, there was no criteria to measure whether this was appropriate.

Agreed Action 21:

The Country Office agreed to:

a)   Reorganise IFRC related administrative tasks from the NS to the IFRC (except for tasks which require the specialised support of the NS (for example, visa applications)).

b)   Develop a monitoring system (such as a database with expiry dates) for visa renewals for all international staff, and document the visa renewal process to ensure that international staff are aware of the process and timelines.

c)   Consult with, and obtain approval from the RoE for local housing guidelines. This should cover all locations where IFRC staff are provided accommodation.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Low

C3.2   Asset/Inventory management and safeguarding

Physical inventory checks and inventory registers

The IFRC shares the offices of the host NS. Inventory/assets of the IFRC Athens Country Office is limited to mostly office furniture and equipment. It was noted that:

-    An inventory register is retained but items are not labelled. Consequently, it is not possible to verify if the list is complete nor to distinguish items owned by the IFRC or the NS.

-    The register does not consistently indicate to whom the item is allocated. In some instances, it mentions the location and in other instances a staff member.

-    A physical inventory check/count has not been performed and documented.

-    Laptops (up to 10) were forwarded by the RoE to the Greece office. These were sent in boxes, but the boxes had not been checked immediately upon receipt to ensure that the deliver was complete. The auditors

performed a physical inspection of the laptops and noted that some are equipped with docking stations, but this information was missing from the inventory list.

- Asset/inventory lists have not been obtained for equipment held in field locations, nor systems established to ensure that this inventory is adequately safeguarded.

Agreed Action 22:

The Country Office agreed to:

a) Tag the inventory items with an inventory identification number and update the Country Office and IT inventory registers with this number.

b) Review the inventory register to ensure it is accurate, complete, and consistent in the information it contains. For example, ensure that the location/person who received the item is recorded.

c) Perform and document a physical verification of the inventory items at least twice per year, which is signed by two people. This should include reviewing the laptops in storage, and ensuring that all items received are timely verified to ensure that they match the inventory register.

d) Establish a consolidated list of assets/inventory which includes items held in field locations, and establish processes to ensure that consistent controls are applied in the Athens and field office locations.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Low

C4	INFORMATION SYSTEMS

C4.1   Information systems and IT management

Mobile phone

The appeal budget for communication costs amounts to ~CHF120k for the duration of the operation. Staff are issued with mobile phones but there is no mobile phone policy established to guide the types of mobile phones, personal usage and the means to regulate the monthly phone bills. A process is in place for staff to receive their individual monthly mobile phone bills for review. However, not all bills are itemised, and staff are not required to sign the mobile phone bill to verify the amount (even if zero) of personal phone calls required for reimbursement.

Backups and server

The IFRC country office does not have a designated IT function and support is provided by the NS as well as the RoE. There is no IT server yet in place and staff save their work on their local hard drive. The audit noted that in a sample of four staff interviewed, backups of information are not performed on any external hard drive, and there have been examples of information being lost requiring the re-performance of work. Without a server, there are risks in relation to inefficiency, and lack of institutional memory due to documents not being retained as per the IFRC filing procedures. A server is planned to be put in place in the future, but this is not yet operational.

Internet

Wireless internet is used at the Country Office but it is not at the necessary speed and reliability to optimise efficiency. A review has not yet been performed of alternative internet providers to assess options.

Agreed Action 23:

The Country Office agreed to:

a)   Develop a mobile phone policy (using the global mobile phone policy as guidance) and obtain approval from the Region of Europe. This policy should govern the rules around personal usage, including the process for reimbursement, and ensure that itemised phone bills are obtained for review.

b)   Strengthen information management systems and processes such as establishing a server for storing shared information, ensuring regular backups are made, and that appropriate wireless internet is available.   Support from the RoE IT function should be obtained to provide guidance.

Manager responsible for the action: Head of Country Office

Due Date: December 2016

Priority Rating: Medium

PART III ANNEXES

ANNEX 1 - PRIORITY RATINGS

Priority Rating	Priority 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 - ABBREVIATIONS

CHF	Swiss francs
CoC	Code of Conduct
CODA	Federation Secretariat Accounting System
ECHO	European Civil Protection and Humanitarian Aid Operations
ERU	Emergency response unit
GLS	Global logistics service
IFRC	International Federation of Red Cross and Red Crescent Societies
M&E	Monitoring and evaluation
MSR	Minimum security requirements
NS	National Society
OIAI	Office of Internal Audit and Investigations
PMER	Planning, monitoring, evaluation and reporting
PNS	Partner National Society
PRD	Partnerships and resource development function
RLU	Regional logistics unit
RoE	Region of Europe
TIN	Tax identification number
WANS	Working advance to National Society