



International Federation  
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

CASH TRANSFER PROGRAMME - FLOODS  
BANGLADESH COUNTRY OFFICE  
REPORT NO. IA-2018-04

AUDIT PERFORMED: MARCH 2018

REPORT TO MANAGEMENT: MAY 2018

## TABLE OF CONTENTS

---

PART I	INTRODUCTION & EXECUTIVE SUMMARY .....	3
1.	BACKGROUND AND CONTEXT .....	3
2.	OBJECTIVE OF THE AUDIT .....	3
3.	SCOPE AND METHODOLOGY .....	3
4.	EXECUTIVE SUMMARY .....	4
PART II	DETAILED OBSERVATIONS & RECOMMENDATIONS.....	6

## PART I INTRODUCTION & EXECUTIVE SUMMARY

### 1. BACKGROUND AND CONTEXT

The Bangladesh Country Office (the "Office") of the International Federation of Red Cross and Red Crescent Societies (IFRC) in Dhaka has a pivotal role in supporting the Bangladesh Red Crescent Society (BDRCS) operational plans and emergency appeals. The BDRCS has been at the forefront of the humanitarian response in aiding communities in various parts of the country who are affected by yearly occurrences of natural disasters caused by cyclones, floods and landslides. In 2017, thousands of people fleeing the violence in Rakhine crossed the Myanmar- Bangladesh border and led to a complex humanitarian situation in the South Asia region. Thousands of these people are now in settlement camps in Cox's Bazar while humanitarian efforts are still ongoing.

For the past year, the IFRC is supporting BDRCS in multiple appeals: Cyclone Mora (budget CHF1.15 million), Population Movement (budget CHF12.76 million), and the Floods (budget CHF4.81 million). Each of the three appeals has Cash Transfer Program (CTP) as one of its main activities for the relief phase of the emergency response. Historically, the BDRCS has been providing cash grants to affected communities as part of a Cash Transfer Program (CTP) since Cyclone Sidr in 2007.

This audit was performed in March 2018 following concerns from the Asia Pacific Regional Office on programmatic risks specific on the CTP in Bangladesh. The last internal audit of the Office on a wider scope was performed in July 2017.

### 2. OBJECTIVE OF THE AUDIT

The purpose of the audit is to provide management with reasonable assurance in relation to the adequacy and effectiveness of governance, risk management and control processes.

This is achieved by focusing on the following:

- a) *Effectiveness*: To assess the adequacy and effectiveness of the processes, systems and internal controls (including segregation of duties, delegation of authority, and risk management);
- b) *Efficiency*: To appraise the economic and efficient use of resources;
- c) *Asset safeguarding*: To appraise the safeguarding of assets which include human resources, financial, and other tangible, as well as non-tangible (for example, reputation and branding) assets;
- d) *Reporting*: To assess the reliability and integrity of financial and operational information, and the means to report such information; and,
- e) *Compliance*: To assess the compliance with relevant laws, regulations and the Federation Secretariat's policies and procedures.

### 3. SCOPE AND METHODOLOGY

The scope of this review involved a risk-based approach of the Cash Transfer Programme, specifically related to the Bangladesh Floods (with focus on the following areas:

- Risk management including the process to identify, assess and manage risk, governance and oversight.
- Coordination and organisation of work, including communication.
- Programme management and supporting documentation.
- Security management.

- System data management.

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

## 4. EXECUTIVE SUMMARY

### 4.1 Conclusion

The internal audit of the Cash Transfer Program (CTP) processes in Bangladesh highlighted improvement opportunities that are critical for the successful achievements of the CTP.

The Office of Internal Audit and Investigations assessed the overall level of internal control environment around the cash transfer program as being limited. As such, the achievements of the program objectives are at risk if the required mitigation action plans are not timely implemented.

### 4.2 Summary of Recommendations

All recommendations were rated as "high risk". Find below a summary of risk identified.

#### Effectiveness

Recommendations (#1) is related to effectiveness. To improve effectiveness, the office should:

- Review any control gaps in the Cash Transfer Programme standard operating procedures (SOP). Disseminate and train employees and volunteers on the finalised SOP. Maintain all training records;
- Develop and document the Community Engagement and Accountability (CEA) process, including the review of the existing feedback mechanisms established;
- Perform and document periodic risk assessments and review compliance with the SOP to ensure that the controls are effective.

#### Efficiency

Recommendation (#4) is related to efficiency. To improve efficiency, the office should:

- Perform a documented assessment for all methods of cash distribution, develop standard operating procedures and disseminate the process for all cash transfer mechanisms;
- Review the internal controls in cash handling and corresponding risk mitigation measures. Perform regular oversight on compliance with the expected controls established in the procedure.

#### Asset Safeguarding

Recommendations (#3) and (#5) are related to asset safeguarding. To improve asset safeguarding on programme implementation, the office should:

- Perform due diligence on the quality and completeness of beneficiary information;
- Review the questionnaires filled in during the beneficiary selection process including the use of possible proxies. Details on the proxies are then verified together with beneficiary details. Proxy forms are distributed in advance of the beneficiary card distribution to allow completion of this verification requirement;
- Verify the completion of beneficiary details to ensure due diligence throughout the different stages of the cash transfer process. Beneficiary details should be checked prior to sending the finalised beneficiary list to

- the local Red Cross teams, during beneficiary announcement, when beneficiary cards are being distributed and during actual cash distribution;
- The feedback to update the beneficiary list should be documented and reasons validated. The validated and approved information in the final beneficiary list should not be further amended or cancelled. If amendments are needed, the reasons should be formally documented and reported to the final signing authority of the beneficiary list;
  - Develop a checklist with embedded standards to assist programme managers, field officers and finance staff on completion of documents, clarifying the expected quality of information in these documents. Any anomalies or discrepancies that require further explanation should be documented and resolved;
  - Perform sample testing, particularly targeting those documents that raise a red flag, by verifying its authenticity. The original beneficiary card and photocopy of NID should be kept at NHQ;
  - As part of improvements in programme community engagement, examples of acceptable types and quality of photocopies of supporting documents are communicated to the respective communities;
  - Review the role matrix to ensure adequate segregation of duties between those involved in the programme assessment, distribution and monitoring. A roster of staff and volunteers with their signatures and initials should be maintained.

To improve asset safeguarding on programme accountability and risk management the office should:

- Perform an independent review of the beneficiary cash distribution planned in the 3 remaining districts, from a technical programming perspective. This should involve statistical sampling of the beneficiary lists, aiming for a 95% confidence level that the beneficiaries selected in the distribution plans are genuine and meet the selection criteria;
- Develop action plans to mitigate risks and control gaps identified in programme management, prioritising high-risk areas, such as potential manipulation of the beneficiary selection process, inadequate or insufficient supporting documentation and inconsistent or ineffective community engagement;
- Fraud and Corruption Prevention Training should be included as mandatory training to be completed by all staff and volunteers;
- All IFRC Staff should understand and sign the Code of Conduct.

### Reporting

Recommendation (#2) is related to reporting. To improve reporting, the office should:

- Train all personnel on the effective use of data collection templates and tools to facilitate the receipt and consolidation of data to support evidence-based monitoring;
- Develop a well-functioning data management system. This may include recruitment of technically trained staff in information management to manage the information system database and support programmes with training;
- Establish an exception report and develop processes with clear instructions to the branches to verify the anomalies and discrepancies identified in the beneficiary lists. Perform due diligence on the exception report and verify against supporting documentation, before the final beneficiary list is updated by data management personnel;
- Establish a clear programme and data management standard for the beneficiary list, especially for cases of beneficiaries with incomplete details on whether to include or exclude them from the list.

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

**REPORT NO. IA-2018-04**

1	PROGRAMMES – GUIDELINES
<p><u>Cash Transfer Guidelines</u></p> <p>The Bangladesh Red Crescent (BDRCS) National Society has been implementing cash grants in various emergency responses and recovery projects since the 2007 Cyclone Sadr response. The National Society, with the support of IFRC and Partners National Society, has developed two documents that outlined different aspects of cash transfers programmes:</p> <ul style="list-style-type: none"><li>(i) Direct Unconditional Cash Transfers in Emergencies – Draft December 2012</li><li>(ii) Standard Operating Procedure (SOP) for Unconditional Cash in Envelopes – Draft September 2017.</li></ul> <p>These two documents are not approved yet, thus the implementation of the programmes is not supported by clear and approved guidelines. It is not clear whether the latter draft supersedes the draft developed in 2012, as there are duplications in the two draft SOPs (for example beneficiary selection and its verification). The SOP developed in 2017 concentrates on cash provided to beneficiaries by envelope. The aim is to develop similar SOP for other methods (such as electronic cash, cheques). The lack of clear ownership of this document and assigned accountability are the main factors identified for the significant delay in finalising the SOP.</p> <p>In absence of a finalised SOP on Cash Transfer Programmes, a surge delegate developed a brief Cash Transfer process as reference for the Flood Operation. This workflow was updated with a specific process for a data management tool which was not covered in the draft SOP and was later handed over to the Flood Operation team as reference.</p> <p><u>Community Engagement</u></p> <p>The National Society has also published two guidelines on community engagement:</p> <ul style="list-style-type: none"><li>(i) Volunteers Guideline: Communications with communities in disaster emergency response and recovery;</li><li>(ii) Broadcasting Live Radio Programmes on Disaster Preparedness and Response through Community Radio Stations.</li></ul> <p>These two guidelines are available on the IFRC website. However, these guidelines are not considered and applied in the programme design. Dissemination of these guidelines is also not effectively performed.</p> <p>Verbal communication is the most common practice for relaying information among communities in areas where the IFRC and BDRCS operates. This means that volunteers and RCRC staff are expected to increase their engagement with communities by delivering key programme messages through verbal communications, as explained in guidelines.</p> <p>There were cases where staff were not aware or briefed on the existence of the communications with Communities Guidelines. Some of the key messages that must be disseminated to the communities include informing the beneficiaries that they should not be paying any individuals or groups to be enlisted as beneficiaries, and the availability of feedback hotline for communities to express their complaints or feedback. However, there is no standard and documented key messages disseminated on how this information needs to be presented to the communities. This increases the risk that these key messages are not effectively communicated to the communities, or not communicated at all.</p> <p>In general, it is understood that all complaints should be controlled and assigned. However, a system to track these complaints and response mechanism has not been developed to fully support this idea. Furthermore, segregation of duties is not being applied for good control over complaints</p> <p>Furthermore, the beneficiary feedback mechanism is not fully understood as it is confined and limited to management complaints instead of developing it further to allow feedback and response from communities on the programme activities.</p> <p><u>Best practices and existing guidelines</u></p> <p>The programme implementation is performed based on brief instructions received through memos, and verbal briefings received in the field from National Disaster Response Teams (NDRT) and BDRCS Officers. Any instructions that are not referenced to established guidelines increase the risk of instructions being misinterpreted, non-</p>	

standardisation of programme implementation and non-compliance to best standards, which could lead to various risks.

Risk(s): Ineffectiveness; Inefficiency.

Cause(s): Procedures/guidelines; Oversight/guidance.

Recommendation 1:

- a) Review and finalise the SOPs with BDRSC and technical Cash Transfer Programmes. The review should consider any control gaps to be addressed. The SOP should refer to other relevant guidelines (for example Community Engagement and Accountability (CEA) Guidelines, Fraud and Corruption Prevention, Monitoring and Evaluation Guidelines);
- b) Disseminate the SOP and train employees and volunteers on the detail. Maintain training records to ensure that all staff and volunteers were timely informed;
- c) Develop and document the Community Engagement and Accountability process with the support of the CEA Unit in Geneva;
- d) Review the existing feedback mechanisms established for its effectiveness and efficiency;
- e) Perform and document periodic risk assessments and review compliance with the SOP to ensure that the controls are effective.

Management Comments:

Although SOP is not yet officially approved but it is already adopted and practiced by BDRCS over the years during different response operations.

Management Action Plan:

- a) The SOP is already under review by BDRCS and IFRC Cash program staff to add other implementation mechanisms and new techniques. The Cash Regional Disaster Response Team (RDRT) was requested to help in SOP finalisation and support in program implementation.
- b) The SOP will be disseminated to relevant districts and orientation of volunteers and staff will be conducted.
- c) CTP level-1 training will be conducted in flood operation units.
- d) CEA RDRT was requested to support BDRCS in reviewing and establishing proper feedback mechanism as well as to ensure proper documentation and analyses of complaints and feedback.
- e) Risk assessment will be conducted by IFRC Risk Management Delegate together with BDRCS relevant department.

Risk Owners: BDRCS CEA Department, IFRC Risk Management Delegate and Programme staff.

Due Date: August 2018

Priority Rating: High



2	DATA MANAGEMENT
<p><u>Translation</u></p> <p>BDRCS started using the mobile data collection, supported by the Open Data Kit (ODK), for the first time in the current floods operations. Briefings and training have been provided to the volunteers and staff on the use of ODK and on the existing information management materials. This started in September 2017. Questionnaires for the assessment of potential beneficiaries have been developed in English and Bengali to assist staff and volunteers to understand the instruction. However, all data and information input into ODK are required to be in English. This could be a challenge to volunteers and branch staff when translating Bengali into English text during the assessment. There is a high likelihood of translation errors since the beginning of the Flood operation.</p> <p>All information will first need to be uploaded onto the server before the captured English text is further translated into Bengali. The translation is needed to prepare the beneficiary list. In the list names are reflected in English and Bengali. The beneficiary information in the Excel spreadsheet format was translated with the support of volunteers in BDRCS National Headquarter.</p> <p>The second round of translation increases the probability of translation errors of beneficiary names, and discrepancies in the beneficiaries list. The manual translations from English to Bengali script of the beneficiary details impacted the quality and accuracy of data in the Master Roll. According to the IT unit, the platform, where the data is placed has the capacity to automatically translate the names from Bengal to Roman letters (and vice versa) and this should reduce the number of errors.</p> <p><u>Data Validation Process</u></p> <p>The NHQ and IFRC Programmes complete the beneficiary selection based on agreed criteria and scoring system. However, a “data validation process” to detect anomalies was not adequately performed. The data validation process should verify anomalies such as duplicate entries (with the same name, ID – which could happen when the volunteers enter the data multiple time in the ODK.) or entries without identification number (“NID”).</p> <p>The “data validation” is a manual process and there are no clear and specific guidelines to ensure consistency in the quality of the review. Data validation tasks for the Floods Operations were performed by the programme staff in IFRC and NS, according to their respective assigned list of beneficiaries. The staff had received basic training on data validation from the Surge Cash Transfer Delegate. However, these resources are insufficient to manage the volume of data collected, as well as ensuring proper segregation of duties. Selected beneficiaries’ lists were sent to the branches for verification. The verification is based on a sample covering 10% the selected beneficiaries. However, there were no formal and specific instructions to the branches to test anomalies and share the outcome. Hence, the Master Roll may contain various errors (for example, duplicate entries) and the programmes may continue using erroneous data in their cash distribution activities.</p> <p>As best practice, anomalies should be verified, and correct information should be validated before it is updated in the final Master Roll and before printing the beneficiary cards. However, the analysis of the Master Roll, used in the distribution, evidenced missing information and errors in beneficiaries’ details. There are different opinions among Cash Transfer Programme staff on treatment of beneficiaries identified without NID, on whether to:</p> <ul style="list-style-type: none"><li>(i) exclude from the beneficiary list <u>without</u> replacement of beneficiaries from the waiting list,</li><li>(ii) exclude from the beneficiary list <u>with</u> replacement of beneficiaries from the waiting list, or</li><li>(iii) include in the beneficiary list and wait until a certain number of days for them to claim their cash grant.</li></ul> <p>The inconsistencies in the treatment of beneficiaries without NID affects the accuracy beneficiary data and its follow up.</p> <p>Risk(s): Inaccurate/late reporting; Fraud Cause(s): Resources/Capacity; Procedures/guidelines</p>	

Recommendation 2:

- a) Train all personnel on the effective use of data collection templates and tools to facilitate the data collection to support evidence-based monitoring;
- b) Develop a well-functioning data management system. This may include recruitment of a specific well-trained staff in information management to manage the information system database and support programmes in the training of tools;
- c) Establish an exception report and develop processes with clear instructions to the branches to verify the anomalies and discrepancies identified in the beneficiary lists. Programme Managers should perform due diligence on the exception report and verify against supporting documentation, before the final beneficiary list is updated by data management personnel;
- d) Establish a clear programme and data management standard for the beneficiary list, especially for cases of beneficiaries with incomplete details on whether to include or exclude them from the list. A management decision paper on this should be documented.

Management Comments:

The training on data management was not sufficient to carry out the overall cash transfer programming.

Management Action Plan:

- a) An Information Management professional will be hired and deployed to address all recommendations above.
- b) Advocacy with BDRCS in hiring information management staff on long term, supported by IFRC and Partner National Society (PNS).

Risk Owners:

Recommendation (a): BDRCS Human Resources Department and IFRC Human Resources Unit.

Recommendations (b), (c) and (d): IFRC Program Manager and BDRCS Program Manager

Due Date: August 2018

Priority Rating: High

3	PROGRAMMES – IMPLEMENTATION
<p><u>Beneficiary details</u></p> <p>The draft beneficiary list is placed in a common area for local review and comment, with the aim that communities provide direct feedback. Our review noted that there were no clear and consistent messages to ensure that feedback received was safeguarded and shared centrally, for example to check and verify anomalies, such as names with no unique identification/National Identification Document (NID) or possible duplications. Without a clear process on the verification feedback mechanism, the placing of the list in the communities serves only as a notification and reported concerns or manipulation of lists will not be reviewed.</p> <p>A sample review of the master roll (in Word Format and via the data collection tool), beneficiary cards and supporting documentation noted the lack of review and monitoring of the quality of beneficiary details collected and recorded.</p> <p><u>Quality of documentation</u></p> <p>The sample review noted that the quality of NID photocopies is poor, with unclear images. This further increases the risk of unreliable validation of beneficiaries, especially in an environment where the system to check the authenticity of documents is challenging.</p> <p><u>Proxy Forms</u></p> <p>During beneficiaries' card distribution process, beneficiaries who confirm that they are not able to collect their cash on the distribution date are given a proxy form to document the name and identification of the person authorised to collect cash on their behalf. The beneficiary should sign the form or, where the beneficiary's signature is not attested, the signature and seal of either the appointed Union Council, City Corporation Chairman or Mayor are required.</p> <p>Other essential documents to be submitted with the proxy form include:</p> <ul style="list-style-type: none"> <li>• The photocopy of beneficiary NID;</li> <li>• Photocopy of the appointed proxy;</li> <li>• Passport sized photo of both the beneficiary and proxy; and,</li> <li>• Testimonial of Union Council, Chairman and/or Mayor.</li> </ul> <p>A sample of records, where beneficiaries had appointed proxies, was reviewed by the auditors and compliance issues were found, such as incomplete attachments, lack of testimonial, missing information in the data collection tool on proxies, proxy forms completed by beneficiaries are being supported by volunteers creating input risk.</p> <p>Risk(s): Fraud/misuse; Asset/financial loss Cause(s): Oversight/guidance; Organisational culture</p>	
<p><b>Recommendation 3:</b></p> <p>a) The Programme Manager, with support from a designated information management person, should perform due diligence on the quality and completeness of beneficiary information. This should take into consideration any incomplete information (NID not provided), irregular details (such as duplicates in NID, phones) that needs to be resolved;</p> <p>b) The questionnaires during the beneficiary selection process are reviewed to include possible proxies. Details on the proxies are verified at the same time as beneficiary details are verified. In cases where proxies are appointed, proxy forms are distributed well in advance during the beneficiary card distribution to allow completion of the requirement, and that the beneficiary signature is attached;</p> <p>c) Verification on completion of beneficiary details should be performed in various stages to ensure due diligence throughout the process. This means that details should be checked prior to agreeing the Master Roll (beneficiary list), during the beneficiary announcement at branches, when beneficiary cards are being distributed and during actual cash distribution;</p>	

- d) Feedback to update the Master Roll (beneficiary list) should be documented and reasons validated, for example to update correct NID, address, etc. Information that has been validated and approved in the Final Master Roll should not be further amended or cancelled. In cases where amendments to the Master Roll is needed, these reasons should be formally documented and informed to the final signing authority of the Master Roll;
- e) Develop a checklist with embedded standards to assist programme managers, field officers and finance staff on completion of documents, clarifying the expected quality of information in these documents. Any anomalies or discrepancies that require further explanation should be documented and followed up until it is resolved;
- f) Perform sample testing on NID, particularly of those documents that raise a red flag, by verifying the authenticity of NID details with the Government website. It is acknowledged that such reconciliation against the Government website is possible and limited to NID issued from year 2012 onwards. The original beneficiary card and photocopy of NID should be kept to facilitate programmes and finance review as part of their programme oversight roles;
- g) As part of improvements in programme community engagement, examples of types and the quality of photocopies needed of supporting documents are communicated to the respective communities;
- h) Review the role matrix to ensure adequate segregation of duties between those involved in the programme assessment and distribution. A roster of staff and volunteers with their signatures and initials should be maintained, to establish those with assigned accountability in areas of their work and to facilitate the technical oversight function.

**Management Comment:**

Recommendation (a) and (b) will be covered by improving data management/ information management process.

**Management Action Plan:**

BDRCS has committed to conduct door to door validation of beneficiaries in relevant districts. Orientation of beneficiaries will be conducted based on SOP and program implementation process prior to distribution, and this includes highlighting the roles and responsibilities of involved parties.

Risk Owner: BDRCS Response Department and IFRC Program staff.

Due Date: August 2018

Priority Rating: High

4	PROGRAMME – CASH TRANSFERS MANAGEMENT
<p><u>Cash transfer methods</u></p> <p>BDRCS has experience in using other cash transfer methods in addition to the direct handover of physical cash, such as bank transfers and cheques. Cash transfer through the banking systems requires several extra processes, which could take up to several weeks, causing delay. This approach may not be best suited when cash needs are immediate in the emergency relief phase. For this reason, distribution through “cash in envelopes” is still the preferred option.</p> <p>In 2012 and 2017, SOP on unconditional cash grants in envelopes were drafted, but no SOP were developed for cash grants through other means such as banks, mobile transfer or other financial service provider locally available.</p> <p>A risk-based analysis of all possible cash transfer options for each type of context (for example, emergency/non-emergency, rural/urban) and the available resources in areas that the NS is supporting, have not been documented. In some districts where the probability of recurring disasters is high, the possibility of communities receiving cash grants (either from the Movement or other agencies) through other methods has never been fully explored. Information on these other options were not collected and analysed to allow better disaster preparedness in terms of setting up an action plan and mechanisms, such as agreement with local financial or mobile service providers.</p> <p><u>Security of Cash</u></p> <p>High security risks related to cash grant handling and in transit have been acknowledged, but the programme manager considers cash by envelopes the easiest means of cash distributions. The draft SOP for unconditional cash (developed in 2017) mentions the control process when inserting cash into envelopes which includes segregation of duties to mitigate risks of loss.</p> <p>Risk mitigation measures on the security of cash may not be fully addressed. The IFRC has additional insurance to cover the cash during distribution, provided that sufficient controls (such as cash in safe, adequate security of premises) are already in place. Inadequate controls may result in cash loss not being covered by the insurance policy. It was not clear whether local insurance sufficiently covers the cash in transit.</p> <p>Similarly, the draft documents on cash transfers are silent in this aspect. There is limited guidance to staff on required controls, as well as the lack of confirmation of the existing controls to meet cash insurance policy requirements, which increases the risk of cash loss not being covered by insurance.</p> <p>Risk(s): Inefficiency; Security/safety Cause(s): Procedures/guidelines; Oversight/guidance</p>	
<p>Recommendation 4:</p> <p>a) Perform a documented assessment of the effectiveness, efficiency and associated risk for all methods of cash distribution, in consultation with the Cash Transfer Programmes experts. The assessment should include a wider analysis of data collected in previous and current programmes, such as:</p> <ul style="list-style-type: none"><li>• number of beneficiaries that have mobile numbers;</li><li>• percentage of beneficiaries with bank accounts;</li><li>• methods for monitoring and immediate tracking of the funds transfers;</li></ul>	

- b) Develop standard operating procedures (SOP) and disseminate the process for all cash transfer mechanisms and not just the modality of "cash in envelope";
- c) Review the existing Cash Transfer Procedure to improve the internal controls in cash handling and corresponding risk mitigation measures. Once finalised, the procedures should be disseminated to all staff. Management should perform regular oversight on compliance with the expected controls established in the procedure and assess its effectiveness.

Management Comment:

Recommendation (b) will be covered in Program-Guidelines section.

Management Action Plan:

Cash RDRT together with IFRC Risk Management Delegate and Cash Programme staff will establish proper cash distribution method as well as assess effectiveness, efficiency and associated risk for all methods of cash distribution.

Risk Owner: IFRC Risk Management Delegate

Due Date: October 2018

Priority Rating: High

5	PROGRAMMES – ACCOUNTABILITY AND RISK MANAGEMENT
<p>The Bangladesh Emergency Appeal for was launched on 15 August 2017, with an operational budget of CHF 4.8 million. The appeal aimed to assist 100,000 beneficiaries in 10 affected districts in the areas of shelter, non-food items, WASH, health, food security and livelihoods.</p> <p>A total of CHF 933K has been budgeted for unconditional cash grants to 19,600 affected beneficiaries. As of 28 January 2018 CHF 571.3K had been distributed to 13,570 individuals in 7 of the 10 districts.</p> <p>There is a risk that the systems already described through this internal audit on the provision of cash to beneficiary has not been fully fit for purpose. Management were aware and wanted to mitigate this risk.</p> <p>In February 2018, senior management of the IFRC Regional office sent out a directive to stop further cash distribution as an interim measure to mitigate the risks in the 3 remaining districts. There had been no further cash distributions in these affected areas when this audit review was performed (end of February to March 2018).</p> <p>Risk(s): Partnership/reputation; Legal liabilities. Cause(s): Oversight/guidance</p>	
<p>Recommendation 5:</p> <ul style="list-style-type: none"> <li>a) The Head of Country Office, with support from the Asia Pacific Regional Office (APRO), should perform a live independent review of the beneficiary cash distribution planned in the 3 remaining districts, from a technical programming perspective. This should involve statistical sampling of the beneficiary lists, aiming for a 95% confidence level that the beneficiaries selected in the distribution plans are genuine and meet the selection criteria;</li> <li>b) The NS, with support from the IFRC Country Office, should develop action plans to mitigate risks and control gaps identified in programme management. Priority should be given to developing actions for high-risk areas, such as manipulation of the beneficiary selection process, inadequate or insufficient supporting documentation and inconsistent or ineffective community engagement, to improve accountability and transparency;</li> </ul>	

- c) Fraud and Corruption Prevention Training should be included as mandatory training to be completed by all staff and volunteers. A translation of the training into Bengali should be coordinated with the Office of Internal Audit and Investigations;
- d) All IFRC Staff should understand and sign the Code of Conduct to increase awareness of their duties as RC employees, their accountability, as well as to fully understand the importance of maintaining and complying with the signed code of conduct.

**Management Comment:**

The cash grant distribution was stopped in the end of January 2018 that put the programme under pressure. Due to this, BDRCS could not proceed with programme implementation. The IFRC Operations Manager who is responsible for this programme has been and will continue to liaise with APRO and work with the BDRCS while reporting to the Head of Country Office to reach the target set under recommendation (a).

**Management Action Plan:**

- a) Statistical sampling of the beneficiary lists will be conducted prior to the distribution, to ensure that beneficiaries selected in the distribution plans are genuine and meet the selection criteria.
- b) Fraud and Corruption Prevention Training will be conducted as mandatory training to be completed by all staff and volunteers, both in IFRC and NS NHQ and District staff and volunteers.
- c) Perform a joint review with the BDRCS and technical Cash Transfer Programs to finalise the SOPs.
- d) Disseminate and train employees as well as volunteers on the finalised SOPs. Maintain training records to ensure that all staff and volunteers were timely informed.

Risk Owner: BDRCS Response Department and IFRC Program staff.

Due Date: July 2018

Priority Rating: High

## PART III ANNEXES

### ANNEX 1 – RISK RATINGS

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

### ANNEX 2 – AUDIT ASSESSMENT LEVELS

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

### ANNEX 3 – RISKS

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

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



#### ANNEX 4 – CAUSES

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

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

#### ANNEX 5 – ABBREVIATIONS

CHF	Swiss francs
BDRCS	Bangladesh Red Crescent Society
IFRC	International Federation of Red Cross and Red Crescent Societies
PNS	partner National Society
CTP	Cash Transfer Program
OIAI	Office of Internal Audit and Investigations
CEA	Community, Engagement and Accountability
ODK	Open Data Kit
NID	National Identity Card