



International Federation
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS

INTERNAL AUDIT OF THE BEIJING
COUNTRY CLUSTER SUPPORT TEAM OFFICE
REPORT NO. IA-2017-2

AUDIT PERFORMED: JANUARY 2017

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PART I INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The International Federation Office in Beijing was initially set up as the East Asia Regional Delegation. The alignment of the International Federation structure that started in 2015, further evolved the Office into its present-day function as the Country Cluster Support Team (CCST) Beijing. The Office is part of the Asia Pacific Region and its main objective is to provide support to the National Societies of China, Mongolia, Japan and the Republic of Korea.

The CCST Beijing Operational Plan for 2016 focus areas are on disaster risk reduction, shelter, livelihood, health, water and sanitation, culture of non-violence and peace, social inclusion and migration. The main recent emergency appeals within the cluster includes the Mongolia Extreme Winter Conditions with an operational budget of CHF979,346, that has ended in February 2017. The appeal was to support 32,981 individuals affected by the severe winter for a period spanning of 12 months with focus on community preparedness and risk reduction; nutrition and livelihood and food security.

As at the audit, the CCST Office in Beijing employed two international staff and eleven national staff. The Office 2016 Operational Plan budget was for CHF3.3million. The Operational Plan for 2017 was in its final approval stages at the time when the audit was being conducted in January 2017. The last internal audit of the Office was performed by the Office of Internal Audit and Investigations (OIAI) in September 2011.

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 includes human resources, financial, and other tangible, as well as non-tangible (e.g. reputation and branding) assets;
- d) *Reporting*: To assess the reliability and integrity of financial and operational information, and the means to report such information; and,
- e) *Compliance*: To assess the compliance with relevant laws, regulations and the Federation Secretariat's policies and procedures.

3. SCOPE AND METHODOLOGY

The scope of the audit includes a review of the following, with a risk-based approach used to prioritize the audit activities:

A) *Oversight and risk management*

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

B) Programme and partnerships management

- Programme management including of Appeals and Disaster Relief Emergency Funds (DREF), 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 support

- 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.

4. SUMMARY OF KEY FINDINGS AND MANAGEMENT ACTION PLAN

Number of Agreed Action Points by Section/Priority

SECTION	Recommendations		
	High Priority	Medium Priority	Low Priority
OVERSIGHT AND RISK MANAGEMENT	-	5	-
A1 Risk management, oversight and monitoring	-	1	-
A2 Organisation, coordination and communication	-	2	-
A3 Legal and supplementary services	-	2	-
PROGRAMME AND PARTNERSHIP MANAGEMENT	2	3	-
B1 Programming, planning, monitoring, evaluation, and reporting	2	1	-
B2 Resource development and partnership management	-	1	-
B3 Logistics, procurement and fleet	-	1	-
B4 Security	-	-	-
OPERATIONS SUPPORT	-	4	3
C1 Finance	-	2	-
C2 Human resources	-	1	1
C3 Administration	-	-	1
C4 Assets and inventory	-	-	1
C5 Information systems	-	1	-
TOTAL AUDIT RECOMMENDATIONS	2	12	3

Improvement areas

Recommendations 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	2	1	-
b)	Efficiency	-	2	2
c)	Asset Safeguarding	-	7	-
d)	Reporting	-	2	1
Total		2	12	3

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

Effectiveness

There are two high priority recommendations (#6 and #7) with a primary risk related to effectiveness. To improve effectiveness, the office should:

- Develop a common tracking system used by programme managers and finance teams (from both International Federation and National Societies) to monitor all project timeframe and implementation status, potential project extensions and contract revisions, cash transfer status, including reports due. Further, coordinate with the National Society to develop a risk register and risk mitigation action plan for each project. The risk register is reviewed and updated preferably on a quarterly or at least on a six-monthly basis (*Recommendation #6*).
- Establish coordination mechanism between the Finance Units and Programme Managers from both International Federation and National Society, in matters involving programme budgets and transferring closed project balances. This involves reconciliation of the Small Loan Project to determine the final project balances. Once those balances are confirmed, the Integrated Community Resilience and Development (ICRD) project and its budget should be reviewed to ensure the project is supported with final approved budgets and action plans (*Recommendation #7*).
- Develop a system to improve project management practices, which includes; (i) timely reconciliation of project balances and response to stakeholders, (ii) plan of action to monitor and follow up on programmes status; (iii) programme managers safekeeping of programme related reports to enable proactive programme oversight; (iv) coordination matrix with clear project management responsibilities between Partners; (v) improve capacity of programme managers through project management training; and (vi) reinforce National Society capacity development on programme monitoring and finance development (*Recommendation #7*).

PART II DETAILED OBSERVATIONS & RECOMMENDATIONS

REPORT NO. IA-2017-2

SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING
<p>A1.1 Risk management</p> <p>The 2016 Country Cluster Support Team (CCST) Operational Plan identified several key risks. This included unsustainable funding as being a risk with medium impact and a change in legal status as being a risk with high impact. However, a systematic process to identify, assess and manage these risks through a documented risk assessment, as well as the development of a risk register with action plans, have not yet been established. The lack of systematic risk management processes could negatively impact the achievement of the International Federation CCST objectives.</p>	
<p>Agreed Action 1</p> <p>The Beijing CCST office agreed to implement systematic risk management processes, including a risk register (in coordination with the Asia Pacific Regional Office), to ensure that risks are adequately identified, assessed and mitigated through a documented action plan.</p> <p>Manager responsible for the action: Head of Country Cluster Support Team</p> <p>Due Date: September 2017</p> <p>Priority Rating: Medium</p>	

A2	ORGANISATION, COORDINATION AND COMMUNICATION
<p>A2.1 Organisation</p> <p><u>Handovers</u></p> <p>The previous Head of East Asia Regional Office left in December 2015 and the new Head of Country Cluster Support Team (CCST) Office started only in July 2016. Meanwhile, the Programme Coordinator was appointed as Acting Head of CCST and was provided with delegation of authority, pending the arrival of the Head of CCST in the country. However, the official handover document and a formal end of mission report were not made available to the successor.</p> <p>The Planning, Monitoring, Evaluation and Reporting (PMER) Officer resigned in November 2016. A brief handover was performed with the Executive Assistant who was appointed to partially take the role of PMER. The handover notes contained limited information, such as the types of reports and references to files in the shared office drive, but other crucial information to enable smooth business continuation was missing (for example, summary of outstanding issues, reports due and its progress). Further, the successor does not have technical background and has not received formal training in PMER. The lack of a trained technical PMER presence in country can have an impact on the appropriate follow up of existing programme reporting delays and report quality checks.</p> <p><u>Organisation</u></p> <p>At the time of the audit, the existing Programme Coordinator position end of mission date was extended until early February 2017, and surge capacity from Asia Pacific Regional was deployed to support the Mongolia operations.</p> <p>Towards the end of the audit, the budget holder authority and programme management for Country Offices in China and Mongolia were handed over to the Head of CCST when the Programme Coordinator ended his mission. Plans to recruit the replacement for the Programme Coordinator are ongoing as at June.</p>	

Gaps in key positions in programme management could negatively impact the CCST Office's role in supporting the National Societies long-term activities and ongoing emergency operations.

The Office also does not have designated and trained Human Resource staff. The Human Resource function is being handled by the Senior Finance and Administration Manager, who also oversees finance, administration, procurement, logistic and IT functions. Lack of duties segregation, concentration of various technical duties onto one member of staff, particularly the duties for which the staff has no technical expertise, could have a negative impact on the efficiency and effectiveness of work performed and increases the risk of fraud.

Agreed Action 2

The Beijing CCST office have agreed to:

- a) Develop a leaver's checklist to ensure that all handovers of documents are completed when a member of staff is ending their contract or mission. This includes handover notes that adequately address the status of outstanding tasks and respective priorities, to identify issues that require immediate action.
- b) Review the organisational structure and clearly define the roles and responsibilities of each staff. Coordinate with Asia Pacific Human Resources Unit for staff technical training, and/or recruitment in areas where a technical resources gap is identified.
- c) Finalise the recruitment of vacant positions, and/or identify surge capacity for key positions while recruitment is ongoing.

Manager responsible for the action: Head of Country Cluster Office

Due Date: August 2017

Priority Rating: Medium

A2.2 Coordination and communication

Local procedures

Local procedures that support the current operating requirements were not attached as an addendum to the existing project agreements as references for programme monitoring and finance validation process. A copy of the procedures was requested by the auditor but not provided. The inadequate communication and understanding of local procedures could lead to inconsistent programme monitoring and oversight.

Capacity development

In previous years, International Federation delegates were recruited to work on capacity development. However, progress from the capacity development initiatives are not properly documented (handed over) and not strategically discussed to enable a continuity and coordinated approach to capacity building development.

Agreed Action 3

The Beijing CCST office agreed to:

- a) Include in project agreements all agreed procedures, and communicate these procedures to technical units who are involved in programme monitoring and oversight roles (for example: project managers, finance managers) both at the International Federation and National Society;
- b) Develop action plans for capacity development initiatives and monitor its progress (with coordination from Asia Pacific Regional Office) to ensure continuous support on long term capacity development plans.

Manager responsible for the action: Senior Organisational Development, Volunteer and Youth Officer

Due Date: September 2017

Priority Rating: Medium

A3	LEGAL AND SUPPLEMENTARY SERVICES
<p>A3.1 Contract management</p> <p><u>Contract approvals and contract database</u></p> <p>The Beijing CCST office started using the Federation e-contracts system in 2016 to initiate, review and approve contracts. Prior to the implementation of e-contracts, due diligence controls through the manual contract management processes were not fully enforced. The contract approval sign-off cover sheets were not prepared to document relevant technical validations as evidence that vetting and due diligence process had been undertaken, in accordance with the Contract Approval Matrix (CAM).</p> <p>A central contract database and a standard tracking mechanism has not been developed to keep track of all current agreements and their status; active, expired, extended, or pending approval. Furthermore, there is a lack of accountability on the ownership of project agreement reviews and extensions. There were instances of project agreements extensions being initiated after the project timeframe has ended.</p> <p><u>Programme agreement template</u></p> <p>The International Federation project agreements with its standard terms and conditions, budgets template, etc., was effective since 2015. However, the recent project agreements signed between the International Federation and National Society in 2016 were still using the non-standard project agreement terms. The old contract agreement template does not provide sufficient detail on the types of activities and corresponding budgets.</p>	
<p>Agreed Action 4</p> <p>The Beijing CCST office agreed to:</p> <ol style="list-style-type: none"> a) Review the existing project agreements and ensure all are prepared in the standard International Federation templates, with standard terms and conditions. Staff involved in the contract management process (such as Programme Managers, Finance & Administration Unit) should refer to the Contract Approval Matrix to understand their respective roles in relation to contract management; b) The Programme Managers and Support Teams (Finance, Logistic, Communications etc.) list all agreements that have been initiated from their units, and its status (active, expired, due to expire, etc.). Once the list is confirmed, upload all current contracts into the e-contracts database and develop a timeframe to flag contract reviews before reaching its due dates. <p>Manager responsible for the action: Senior Finance and Administration Officer; and PMER Officer</p> <p>Due Date: August 2017</p> <p>Priority Rating: Medium</p>	
<p>A3.2 Other legal matters</p> <p><u>Legal Status</u></p> <p>The International Federation legal status in China was granted in 1999. The requirements stipulated under the existing legal status includes the need for Government support to facilitate all transnational operations, contacts and communications of the Federation; providing the Federation with an equal treatment to any Office of United Nations, in matters involving communications.</p> <p>It is being observed that the Office may have not been utilising the privileges due to the lack of understanding of the agreement terms and conditions.</p>	

Agreed Action 5

The Beijing CCST agreed to:

Verify the International Federation privileges, based on the signed legal status agreement and in consultation with legal counsel who can advise on the legal status of international bodies in the country.

Manager responsible for the action: Head of Country Cluster Support Team

Due Date: September 2017

Priority Rating: Medium

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING
<p>B1.1 Project management</p> <p><u>Programme oversight</u></p> <p>A manual spreadsheet was developed by the Finance Unit to track cash transfers (amounts transferred and amounts to be transferred to the National Society) and due dates on narrative and financial reporting. Programme managers have a similar spreadsheet, but it was not effectively used to monitor overall projects such as project agreement deadlines and extensions, report due dates, reports submitted, cash already transferred and remaining cash balances.</p> <p>The International Federation in partnership with the National Society currently has 24 projects in various stages of completion and reporting. There are examples of project delays not being timely communicated as well as projects being implemented without proper extensions, including revised budgets and plans.</p> <p>As per our audit in January 2017, cash transfers for 8 projects, with timeframes ending between 2011 and 2016, were fully disbursed. However, financial and narrative reporting requirements for these projects were identified as outstanding.</p>	
<p>Agreed Action 6</p> <p>The Beijing CCST office agreed to:</p> <ol style="list-style-type: none">a) Develop a common tracking system to proactively monitor all projects. The tracking system should monitor all project timeframe and implementation status, potential project extensions and contract revisions, cash transfer status, including reports due. To prevent duplication of tools, the common tracking mechanism should be used by programme managers and finance teams (from both International Federation and National Society) and reviewed monthly;b) Develop a risk register for each project. The register should be established in co-ordination with the National Society to identify all risks that prevents the programmes from meeting its objectives within the planned timeframe. The risk register should also assign risk owners that will be responsible for implementing action plans within the established timeframes. CCST International Federation Office Senior Management should monitor the implementation of the agreed action plans and, in coordination with the NS, review and update the risk register on a regular basis - preferably on a quarterly or at least on a six-monthly basis (also refer to recommendation #1). <p>Manager responsible for the action: Programme Managers and Programme Officers</p> <p>Due Date: August 2017</p> <p>Priority Rating: High</p>	

Programme coordination

Consultation and decision making regarding programme budgets was undertaken between International Federation and National Society programme managers. It was observed that Finance teams had a very limited consultation role whilst programme leads developed their budgets. The role of Finance teams, in both the International Federation and NS, are limited to validating financial transactions during reporting and processing cash transfer requests.

For example, the Integrated Community Resilience and Development (ICRD) Programme meeting in March 2016, between the International Federation and National Societies, Programme Managers agreed on actions regarding project financials and bank transfers between NS Headquarters and branches. However, Finance representatives from International Federation and National Societies did not attend the meeting, thus not able to provide technical advice or, at a minimum, to be informed about the decisions that could impact their financial oversight role.

The absence of Finance representatives when cash transfers and project budgeting are discussed during such meetings, increases the risk that project financial aspects are not being properly addressed. For instance, budget lines to cover the cost of the recruitment of Field Programme Manager and Field Finance Staff were not included in programme budgets. Consequently, these core positions were not filled in, impacting appropriate programme oversight at field level.

Programme budgets and oversight

There have been instances of signed agreements being based on approximate amounts and not supported by proper budget plans and/or plan of actions.

The Small Loan Project was supported by a "Cooperation Agreement signed in December 2010 between Postal Savings Bank and Red Cross Partners". In the signed agreement, the Bank required a response from the Red Cross Partners within 30 business days to the Bank's monthly report which included statements, cumulative records of small loans to each beneficiary, amount recovered from beneficiary and interest payable.

Further, an addendum to the Small Loan Projects Agreement was signed in October 2015. In the signed Addendum, there was a commitment from the Red Cross Partners that final balances from the Small Loan Project will be confirmed by 31 October 2015. However, the International Federation Programme Manager was not able to provide the final reconciliation and balance of the closed Small Loan Projects when requested by the auditor. There is no evidence that the International Federation, as one of the partners for this programme, performed the follow up on the final balances of the Small Loan Project, since the project ended in October 2015.

Agreed Action 7

The Beijing CCST office agreed to:

- a) Establish robust coordination mechanisms between the Finance Units and Programme Managers in matters involving programmes budget and transferring closed project balances;
- b) Follow up on the reconciliation of the Small Loan Project to determine the final balances. Once those balances are confirmed, the project and its budget should be reviewed to ensure the project is supported with final approved budgets and action plans;
- c) Develop a system to improve project management practices, which includes; (i) timely reconciliation of project balances and response to stakeholders, (ii) plan of action to monitor and follow up on programmes status; (iii) program managers safekeeping of programme related reports to enable proactive programme oversight (iv) coordination matrix with clear project management responsibilities between Partners (v) improve capacity of programme managers through project management training; and (vi) reinforce capacity development on programme monitoring and finance development.

Manager responsible for the action: Programme Managers and Programme Officers

Due Date: September 2017

Priority Rating: High

B1.2 Planning, monitoring, evaluation and reporting (PMER)

Programme reporting capacity

The project managers are responsible for overall reporting of their respective programme activities, and this includes coordinating with technical International Federation PMER colleagues on reporting requirements. The projects reporting timeframe depends on the agreed terms in project agreements and varies from one project to another; some require quarterly reporting, others monthly.

The CCST Office has developed a report follow up mechanism, but it was ineffective as the causes for not meeting reporting deadlines were not adequately addressed. Delays were driven by various factors, with the main points being:

- (i) Some programme managers may have limited experience and are not trained in programme reporting, especially when using the International Federation reporting template;
- (ii) programme staff high turnover at field level and lack of proper handover;
- (iii) (inadequate and untrained PMER resources within the International Federation to support training in programme reporting. The inadequate action plans to address these issues may lead to risks of unreported/ delays in reports to continue.

Evaluation

There have been evaluations conducted in country but the status of recommendations was not properly tracked for implementation. For example, an evaluation for Community Based Microfinance was finalised in 2013. A Project Working Group was established to follow up the evaluation recommendations. However, the outcomes from this follow up could not be presented to the auditor when it was requested.

Agreed Action 8

The Beijing CCST agreed to:

- a) Perform a joint review with the NS on capacity development in programme management and reporting. An action plan is further developed (with coordination from Asia Pacific Regional Office) to support capacity development plans in these focus areas;
- b) A system is established, in coordination with PMER Unit, Asia Pacific Regional Office, to ensure all evaluation statuses and progress of the implementation of agreed recommendations are recorded and are timely tracked.

Manager responsible for the action: PMER Officer and Programme Managers

Due Date: September 2017

Priority Rating: Medium

B2

RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT

B2.1 Resource development

The programme support to China is covered mainly through carry over unearmarked funds from the China Sichuan Earthquake Appeal, that has been closed in December 2011. For 2017, the operational funding from unearmarked funds is likely to continue, however, a long-term funding plan still needs to be developed, to ensure sustainability of existing programme support.

Meanwhile, the Mongolia long term programme funding is heavily dependent on a limited number of institutional Red Cross donors. Current focus is more on the funding of emergency appeals (e.g. extreme winter conditions), however, the long-term programme funding continues to be reliant on specific funders.

Agreed Action 9

The Beijing CCST agreed to ensure a resource mobilization plan is developed to identify funding opportunities, reviewed on a periodical basis and supported with action plans to reflect current funding situation. This involves, coordination with the Asia Pacific Regional Office to share information related to regional proposals and working with external partners.

Manager responsible for the action: Head of Country Cluster Support Team

Due Date: September 2017

Priority Rating: Medium

B3	LOGISTICS, PROCUREMENT AND FLEET
<p>B3.1 Procurement</p> <p><u>Supplier database</u></p> <p>The Office supplier database is not supported by Supplier Registration Forms and assessments of suppliers' backgrounds. Most of the current vendors were selected based on online research without going through the appropriate due diligence process.</p> <p><u>Filing</u></p> <p>All original Request for Quotations (RFQ), Quotations, and Letter of Requisitions (LRs) are kept with the Finance Unit. The Procurement Unit does not have a full set of procurement files and keeps only copies of the LRs. This means that a complete procurement database has not been developed to list all procurement files, including tracking of key dates on its completion status, such as date of requisition preparation and processing, issuance of RFQ, receipt of Goods Received Note (GRN), and invoice received date. Furthermore, procurement checklists are not being used to document completion of procurement documentation.</p> <p><u>Procurement process</u></p> <p>There had been instances of local procurement for the Office being performed through online purchases at the supplier's website. In these cases, a formal Request for Quotation was not issued, and selection of goods were based on assessments of descriptions and information displayed online. Procurement using such process lacks documented assessment and reduces transparency. There had also been instances of programmes performing their own procurements by direct communication with supplier/service provider, and receiving directly quotations, instead of processing it through the Procurement & Administration Unit.</p>	
<p>Agreed Action 10</p> <p>The Beijing CCST agreed to:</p> <p>a) Establish a central supplier/service provider for the Office.</p> <p style="padding-left: 20px;">Document the vendor selection process, including vendor background checks, such as verifications on technical suitability, quality certification and independence from International Federation personnel. Qualification of vendors is reviewed and approved by an appointed 'Committee of Contracts'.</p> <p>b) Procurement Unit keeps procurement files with proper indexing (e.g. LR, RFQ, Quotation receive etc.). A review checklist for each file is used to ensure completion of documentation. This includes, developing a procurement database to monitor the lead time in processing requisitions, receiving quotes and purchase orders issuance.</p>	

- c) Centralise all procurement for the office through the designated Procurement Unit. All communications with suppliers including request for quotations, and quotations received are properly documented and kept in the procurement files.

Manager responsible for the action: Senior Administration and Logistics Officer

Due Date: September 2017

Priority Rating: Medium

SECTION C – OPERATIONS SUPPORT

C1	FINANCE
<p>C1.1 Staff working advances</p> <p>The Office driver supports the Administration function, and receives working advances for the procurement of small value administrative expenditures. The working advances are reported using the working advance journal verified by Finance and the Head of CCST.</p> <p>A sample review of the transactions noted examples of working advances provided to the Office driver being used to pay other expenditures than administration, for other staff. Such expenditures are reported under the staff employee record in the Finance system. As per the working advance procedure, staff are personally accountable for cash in hand, and working advances expenditures within their respective duties and functions. The reporting of expenditures incurred by other staff reduces traceability and accountability.</p>	
<p>Agreed Action 11</p> <p>The Beijing CCST office agreed to assign separate working advances for each staff, and this includes review that funds are reported and used for expenses related to their function and assigned duties.</p> <p>Manager responsible for the action: Senior Finance and Administration Officer</p> <p>Due Date: July 2017</p> <p>Priority Rating: Medium</p>	
<p>C1.2 Partner working advances and cash transfers</p> <p><u>Cash Transfers</u></p> <p>CCST is working under the cash transfer system with National Societies (NS). Therefore, cash is transferred to the relevant NS Headquarter bank account upon written request by the programme teams to the CCST. A review of the cash transfers noted gaps in International Federation communication when processing the cash transfers. For example, references to which programmes the cash are being transferred for, and the expected date of the transfer of cash, were not effectively communicated to the Finance Unit of the National Society. The lack of information creates unnecessary difficulties to reconcile the amounts and to timely plan onward cash transfers to branches.</p>	
<p>Agreed Action 12</p> <p>The Beijing CCST agreed to ensure that the communication process for cash transfer to National Societies and its reconciliation is streamlined, i.e. clearly identify the programme(s) for which the funds are transferred for, as well as confirming the date when the transfer will be processed.</p> <p>Manager responsible for action: Senior Finance and Administration Officer</p> <p>Due Date: July 2017</p> <p>Priority Rating: Medium</p>	

C2	HUMAN RESOURCES
<p>C2.1 Starters, leavers and performance management</p> <p><u>Leavers and asset handover</u></p> <p>An asset clearance and return form is being used, however, handover of assets is not systematically documented locally when staff end their mission. This ensure that handover procedures have been completed and confirmed.</p> <p><u>Leave management</u></p> <p>Absence such as annual leave for delegates are processed through the HR system. Delegates' leave of absence are not being monitored by the CCST human resource function as they have no access to the International Federation HR system and therefore are not able to complete the online tracking. A compensating control such as a tracking sheet for delegates' leave was not in place.</p>	
<p>Agreed Action 13</p> <p>The Beijing CCST agreed to ensure:</p> <ul style="list-style-type: none">a) Physical assets are retrieved upon completion of the handover checklist.b) Request access to the International Federation HR system from the Human Resource Unit, Asia Pacific Regional, and start using the system to monitor the accuracy of the data and reconcile the balances. <p>Manager responsible for the action: Senior Finance and Administration Officer</p> <p>Due Date: July 2017</p> <p>Priority Rating: Low</p>	
<p>C2.2 Labour Law, staff regulations and contracting</p> <p><u>Contracting</u></p> <p>The national staff employment fixed term contracts are renewed annually. A sample review of staff contracts noted that evidence of revised job description, contract terms or new contracts was not always on file.</p> <p><u>National Staff Regulations</u></p> <p>The CCST Office national staff regulations are following the International Federation standard template and have been approved in March 2015 by the Head of Regional Office and the HR Unit, Asia Pacific Regional Office. Such regulations are required to be thoroughly checked against national labour legislation by a specialist in the country labour law to ensure compliance prior to its dissemination. The formal correspondences and evidence of review by the local lawyer was requested, but not made available to the auditor.</p> <p><u>Salary scale</u></p> <p>The CCST Office new salary scale for national staff was effective from April 2016. A base salary survey report of the ICRC was shared with the CCST Office for benchmarking purposes. However, there is no documented evidence that the International Federation salary scale underwent a documented review process, benchmarking and/or enrolled in technical consultation with the Asia Pacific Regional Human Resource Unit.</p> <p><u>Overtime payment</u></p> <p>Overtime records for the whole year (from January to December) had been processed and paid on an annual basis in December. Control process on checking overtime records are lacking when overtime is validated on a yearly basis (instead of being done monthly), which could increase the risks of inaccurate information not being detected in time and/or costs not being accurately and timely allocated to projects.</p>	

Agreed Action 14

The Beijing CCST agreed to ensure that:

- a) Management decisions involving contracts and salary revisions are supported by a consultative process and such decisions are documented. This includes documenting technical consultation with legal advisor and Human Resources Unit, Asia Pacific Regional.
- b) Compliance with employment contract terms and approved national staff regulation when providing new contracts and/or terminating existing staff contracts. This includes compliance with one month written notice prior to contract termination, as well as having documented job descriptions.
- c) Perform a documented review of the fixed employment and part time employment terms as per the local labour regulations, prior to making changes to the contract terms.
- d) Review and amend the national staff regulations to ensure consistency and alignment with national labour laws. Any revision should be submitted to the human resources function and legal function at the Asia Pacific Regional Office for advice and final validation.
- e) Overtime records are checked and paid monthly to improve tracking and reporting of staff payroll and overtime.

Manager responsible for the action: Head of Country Cluster Support Team

Due Date: November 2017

Priority Rating: Medium

C3	ADMINISTRATION
C3.1	Administrative policies and procedures
	<p><u>Standardised filing</u></p> <p>A system for filing and archiving in accordance with International Federation procedures (Procedure #30 - Standardised filing system for offices in the field) has not yet been established. A sample review of the Procurement and Human Resources files showed they were not properly indexed and filed as per the correct category. There were also older documents which were beyond the date of their retention period that were still being retained.</p>
	<p>Agreed Action 15</p> <p>The Beijing CCST agreed to:</p> <ol style="list-style-type: none"> a) Establish a filing system, categorising records by the functions, processes and activities. The Secretariat "Standardised filing system for offices in the field" should be used as guidance. b) Establish archiving and filing processes to ensure that documents are regularly filed and archived for both hard and soft files. The system should enable file retrieval, even when the individual who filed the documents is absent from the office, and to facilitate smooth handover. <p>Manager responsible for the action: Senior Administration and Logistics Officer</p> <p>Due Date: September 2017</p> <p>Priority Rating: Low</p>

C4	ASSET AND INVENTORY
C4.1	<p>Asset/inventory management and safeguarding</p> <p>The Administration Unit maintains the Office's asset and inventory register, however, asset tagging with unique numbers is yet to be completed. Furthermore, the reconciliation of the inventory has not been performed/validated by someone independent from the person responsible for the inventory.</p>
<p>Agreed Action 16</p> <p>The Beijing CCST agreed to ensure that the asset tagging process is completed and the register is updated accordingly. A physical inventory check is performed at least twice a year and signed by two persons confirming that the registered information reconciles with the physical assets.</p> <p>Manager responsible for the action: Senior Administration and Logistics Officer</p> <p>Due Date: July 2017</p> <p>Priority Rating: Low</p>	

C5	INFORMATION SYSTEMS
C5.1	<p>IT management</p> <p><u>Backups and data management</u></p> <p>Backups are not consistently performed for the shared drive, although backups are sometimes performed for individual laptops. There had been a specific circumstances where information saved was lost, further impacting the proper handover of information and data to their successor. Some of the information lost related to programmes from 2011 to 2015, for which backups were not formally completed.</p> <p>Further, awareness of data security and data retention policy among staff is relatively low. In the above example, the staff concerned was not aware of the International Federation policy on data retention and safekeeping. All project reports/correspondences should be retained in storage for 4 years, before being archived.</p>
<p>Agreed Action 17</p> <p>The Beijing CCST agreed to disseminate to all staff the International Federation IT procedures related to backup processes, data security and data retention. A refresher session on these processes should be conducted to all staff, and to include the mentioned procedures/processes in the briefing package to new staff.</p> <p>Manager responsible for the action: IT Officer</p> <p>Due Date: July 2017</p> <p>Priority Rating: Medium</p>	

PART III ANNEXES

ANNEX 1 - RISK RATINGS

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

ANNEX 2 - ABBREVIATIONS

CHF	Swiss francs
DREF	disaster relief emergency fund
IFRC	International Federation of Red Cross and Red Crescent Societies
M&E	monitoring and evaluation
MENA	Middle East and North Africa
OIAI	Office of Internal Audit and Investigations
PEAR	project expenditure approval request
PMER	planning, monitoring, evaluation and reporting
PNS	partner National Society
PPP	programme/project planning
RD	resource development
VAT	value added tax