



International Federation
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS

INTERNAL AUDIT OF THE DUBAI LOGISTICS OFFICE
REPORT NO. IA-2017-01

AUDIT PERFORMED: JANUARY/FEBRUARY 2017

REPORT: APRIL 2017

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PART I INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The Dubai Logistics Office (the "Dubai Office") is based in the United Arab Emirates, and reports directly to the Logistics Management director (Geneva). The Dubai Office comprises of the following functions: logistics (including warehousing), procurement, global fleet management, and support services. The support services function also assists the Country Cluster (Gulf)¹ which recently relocated to Dubai. As at the audit, the Dubai Office employed 18 national staff and 2 international staff. However, as at the audit, the Office was reorganising which would result in a reduction in the number of staff.

The funding for the office recently moved to regular resources. For 2016, the regular resources budget for GLS-Dubai amounted to ~CHF652K, with the Global Fleet unit budget amounting to ~CHF7.4 million (including depreciation costs of ~CHF4.0 million).

The last internal audit of the Dubai Office was performed by the Office of Internal Audit and Investigations (OIAI) in June 2013. The current internal audit was performed between January and February 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 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 (including the process to identify/assess/manage risk), governance and oversight.
- Coordination and organization of work, including communication.
- Legal risk management including contracts management.

B) *Programme and partnerships management*

- Logistics, procurement and fleet management.

¹ For the purposes of this audit, the Dubai Office relates to the Dubai Logistics office only and does not include the Country Cluster.

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.

Following discussions with management, the scope of the audit focussed on support services. A strategic review of fleet (vehicle rental programme and ambulances) was commissioned by management in 2016, and strategic matters were also excluded from the scope.

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 | 1 | 3 | - |
| A1 Risk management, oversight and monitoring | - | 2 | - |
| A2 Organisation, coordination and communication | 1 | - | - |
| A3 Legal and supplementary services | - | 1 | - |
| PROGRAMME AND PARTNERSHIP MANAGEMENT | 1 | 4 | - |
| B1 Logistics and procurement | - | 2 | - |
| B2 Vehicle management | 1 | 2 | - |
| OPERATIONS SUPPORT | - | 5 | 2 |
| C1 Finance | - | 1 | 1 |
| C2 Human resources | - | 3 | - |
| C3 Administration/assets and inventory | - | - | 1 |
| C4 Information systems | - | - | - |
| TOTAL AUDIT RECOMMENDATIONS | 2 | 12 | 2 |

Good practices

Positive practices noted during the audit included the following:

- ü Tools developed for monitoring and review (fleet, logistics, procurement, administration).
- ü High completion rates of prevention of fraud/corruption training.
- ü Service oriented (e.g. customer survey and evidence base prior to implementing vehicle tracking system).
- ü General quality of financial supporting documentation.

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 | 5 | - |
| b) | Efficiency | - | - | - |
| c) | Asset Safeguarding | - | 6 | 2 |
| d) | Reporting | - | 1 | - |
| Total | | 2 | 12 | 2 |

In relation to the audit objective of compliance, five (#4, #6, #12, #13, #14) of the above recommendations were caused in part by compliance related matters.

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

Effectiveness

There are two high priority recommendations (#3, #7) with a primary risk related to effectiveness. To improve effectiveness, the office should:

- Document in a matrix, the roles and responsibilities of the Dubai office, MENA region, and the Geneva secretariat, to clarify accountabilities (*recommendation #3*).
- Clarify the lines of communication between Geneva/Region, to the Dubai Office to ensure that all relevant issues are systematically and timely communicated. This should include relevant updates to policies and procedures from technical functions (*recommendation #3*).
- Finalise the business case for fleet (including ambulance services) for submission to management/governance. Adjust/develop a plan based on the decisions made by management/governance (*recommendation #7*).
- Establish a systematic process to review the fee structure of fleet services. This should be reviewed on an interim basis (e.g. a rolling 2-5 year period or as necessary) (*recommendation #7*).

Efficiency

There are no high priority recommendations with a primary risk related to efficiency. However, there was one efficiency related recommendation (#5). To improve efficiency, the office should:

- Review technology improvement options relating to documenting bin cards (including consideration of bar codes), to improve the accuracy and efficiency of stock management (*recommendation #5*).

Asset Safeguarding

There are no high priority recommendations (six medium priority) with a primary risk related to asset safeguarding.

Reporting

There are no high priority recommendations (one medium priority) with a primary risk related to reporting.

PART II DETAILED OBSERVATIONS & RECOMMENDATIONS

NO. IA-2017-01

SECTION A – OVERSIGHT AND RISK MANAGEMENT

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| <p>Good practices</p> <ul style="list-style-type: none"> ü High completion rates of prevention of fraud/corruption training. ü Exception reporting developed (e.g. fleet) | |
| A1 | RISK MANAGEMENT, OVERSIGHT AND MONITORING |
| <p>A1.1 Risk management</p> <p>Risks are identified, assessed and mitigated informally by the Dubai Logistics Office (the “Dubai Office”). For example, there are regular staff meetings to discuss major topics which result in action points that address risks. However, a risk register has not been developed to systematically identify and mitigate key risks.</p> <p>There was one example of a risk materialising in 2016 which may have been prevented or mitigated if systematic risk management processes were in place.</p> <p>Other risks which could warrant action plans include:</p> <ul style="list-style-type: none"> - <i>Risks related to continuity</i> - an annual rental agreement is signed for the office. This lease is at the discretion of the landlord, and there is no multi-year agreement established. Negotiations have commenced since 2012, but this has not yet proven successful. - <i>Risks in relation to reorganisation</i> - the office was in the process of reorganising, and several staff were notified that their contract would not be renewed. There were no documented plans to mitigate the impact of the reorganisation, including the handover and transition process. | |
| <p>Agreed Action 1</p> <p>The Dubai Office agreed to identify the major risks for the office, prepare an action plan to mitigate these risks, and document this in a risk register which is regularly reviewed (e.g. six monthly).</p> <p>Manager responsible for the action: Head of Dubai Office</p> <p>Due Date: September 2017</p> <p>Priority Rating: Medium</p> | |
| <p>A1.2 Governance and oversight</p> <p><u>Monitoring and reporting</u></p> <p>The Dubai Office is part of the Global Logistics Management function, reporting directly to the Logistics Management Director (Geneva). Bi-weekly reports (as well as interim financial reports) are submitted by the Dubai Office to the Director. The information in these bi-weekly reports is obtained from monitoring tools used by various functions (e.g. logistics, procurement) at the Dubai Office. The audit reviewed these monitoring tools and noted:</p> <ul style="list-style-type: none"> • The procurement and logistics functions maintain a database to help with the oversight of their jobs. However, these were not kept up-to-date. In the sample tested, there was key information not recorded, diminishing the accuracy of reports generated for management. • Fleet reports are received monthly from regional fleet units. In a sample of two regional reports reviewed, one report included errors in the formula/figures input, resulting in overstated ratios. These errors should have been detected (by the region) prior to submission with a reasonableness test. Although this information is reviewed (and corrected) before consolidating these reports at the Dubai level, it indicated inconsistency in the quality of reporting in field locations. | |

Agreed Action 2

The Dubai office agreed to:

- a) Review the monitoring tools to ensure these are complete, accurate and timely completed prior to inclusion in the bi-weekly reports submitted to management.
- b) Include automated reasonableness/error warnings in spreadsheets to ensure that mistakes are timely identified and corrected.

Managers responsible for the action: Head of Dubai Office (a)/ Global Fleet Coordinator (b)

Due Date: June 2017

Priority Rating: Medium

Technical oversight of Dubai Office functions:

The Dubai Office is organised differently to most other IFRC offices and reports directly to the Geneva secretariat but is geographically part of the MENA region. As with other IFRC offices, technical support and oversight should be provided to the Dubai Office from the Region or the Geneva secretariat. The audit noted:

- *Finance oversight (see C1.1)*: transactions recorded in a field location should be reviewed monthly, with two checklists completed to document the review. In field locations, this role is performed by a finance analyst based in the region. For the Dubai Office, this role was performed by the Geneva financial services unit before being transferred to the MENA region in mid-2016. However, these checklists had not been prepared to document the oversight process during 2016.
- *Human resources (HR) oversight*: the Dubai Office has staff regulations, housing guidelines and has developed HR management processes for the office. However, technical oversight has not been provided on key HR matters (e.g. approval of housing guidelines). In some cases, technical oversight is provided from the Region, but this is not consistently performed. HR in the Region is more involved with Country Cluster matters, but not the Dubai Logistics Office.
- *IT oversight*: A local IT service provider is engaged to provide IT technical support, and prior to 2016, there had been limited support provided from Geneva/MENA IT functions.

Recommendation #3 addresses the issues related to technical oversight.

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| A2 | ORGANISATION, COORDINATION AND COMMUNICATION |
| <p>A2.1 Organisation, Coordination and Communication</p> <p>The IFRC presence in Dubai includes the Dubai Logistics Office as well as a Country Cluster (Gulf) support team. The Dubai Office reports directly to the Logistics Management Director, and the Country Cluster reports directly to the Middle East and North Africa (MENA) regional office. The following were noted:</p> <ul style="list-style-type: none">• <u>Function roles and responsibilities</u>: clarification regarding roles and responsibilities in relation to the Cluster/Dubai Logistics office and Geneva have not been established in a documented roles matrix. For example, responsibilities related to overall security and IFRC representation have not been clarified, and there were also differences in relation to how the housing guidelines apply to Cluster Office staff and Dubai Office staff (see C2.4).• <u>Technical oversight (see A1.2)</u>: a matrix in relation to financial roles and responsibilities has been prepared. This includes the Regional Finance Unit (RFU), Geneva financial services unit, and Geneva budget/analysis unit responsibilities. However, this matrix was not complete and did not include detailed finance related stock management responsibilities. In relation to human resources, technical oversight has not yet been clarified.• <u>Communication</u>: there have been gaps in relevant information being timely communicated to the Dubai Office due to a lack of clarity in roles and responsibilities. For example, the Dubai Office was not aware of several key areas applicable/available to all IFRC offices. For example:<ul style="list-style-type: none">- Safecall, the service to anonymously report issues to an independent team, was not known by all staff (including the HR function);- the Secretariat wide exit process (commencing August 2016) had not been shared with the HR function;- the legal status agreement of the IFRC was extended from covering the Regional Logistics Centre to include the Country Cluster. However, the Dubai Office was not aware that the scope of the status agreement had been expanded. | |
| <p>Agreed Action 3</p> <p>The Dubai office agreed to:</p> <ol style="list-style-type: none">a) Document in a matrix, the roles and responsibilities of the Dubai office, MENA region, and the Geneva secretariat, to clarify accountabilities.b) Clarify the lines of communication between Geneva/Region, to the Dubai Office to ensure that all relevant issues are systematically and timely communicated. This should include relevant updates to policies and procedures from technical functions. <p>Manager responsible for the action: Head of Dubai Office (lead), with support from MENA region and Geneva technical functions</p> <p>Due Date: September 2017</p> <p>Priority Rating: High</p> | |

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| A3 | LEGAL AND SUPPLEMENTARY SERVICES |
| <p>A3.1 Contract management</p> <p><u>Contract approval process</u></p> <p>A manual contract review process is currently used. In a sample of contracts reviewed, the required technical review was received from Geneva legal affairs and the respective technical functions, but this was not documented in the agreement sign-off sheet. The e-contracts system had yet to be rolled-out to standardise the contract approval process.</p> <p><u>Contract database</u></p> <p>The Office maintains a list of contracts/other documents which require monitoring and helps plan for renewal. This includes trade licenses, rental contracts, diplomatic identity cards, visa contracts, administration contracts and fleet/logistics contracts. However, this contract database did not include several procurement framework agreements which are retained and monitored by other functions. In the past, it was noted that not all contracts had been timely renewed.</p> | |
| <p>Agreed Action 4</p> <p>The Dubai office agreed to:</p> <ul style="list-style-type: none">a) Establish standardised processes (e.g. the use of e-contracts) to ensure that contracts are validated and approved in accordance with the contract approvals matrix.b) Consolidate the contract database management process (or clearly designate responsibilities) to ensure that contracts are timely renewed. <p>Manager responsible for the action: Head of Dubai Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p> | |
| <p>A3.2 Other legal matters</p> <p>The IFRC has informed the relevant Ministry regarding the expanded scope of the IFRC legal status to include the Country Cluster support team. There were no reportable issues noted.</p> | |

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

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| <p>Good practices</p> <ul style="list-style-type: none"> ü Tools developed to monitor and review (fleet, logistics, procurement, administration). ü Service oriented (e.g. customer survey and evidence base prior to implementing vehicle tracking system) | |
| B1 | LOGISTICS, PROCUREMENT |
| <p>B1.1 Warehouse and stock management</p> <p>There are three IFRC warehouse halls located behind the main Dubai Office. As at the audit, there were over 239,000 items stored at the warehouse which included pre-positioned stock such as tarpaulins, blankets and mosquito nets. This includes national society (NS), IFRC as well as vendor consignment stock. The following were noted:</p> <ul style="list-style-type: none"> • <u>Stock counts</u>: Quarterly stocktakes are performed. The March and September stocktakes are performed by the warehouse manager, the June stocktake performed by the logistics manager, and the year-end stocktake performed independently. However, only the year-end stocktake is fully documented. • <u>Stock management</u>: <ul style="list-style-type: none"> - <i>Bin cards</i>: the process to update the 2,000+ bin cards is a continuous and time consuming process due to the regular stock movements. The update is performed manually, taking significant time and resources, and there is no automated process in place. - <i>Disposal of items</i>: several items nearing or after their expiry date have not yet been disposed (e.g. hygiene kits and mosquito nets). It was noted that the office was in the process of assessing these items for disposal. - <i>Stock temporary transfer from a National Society to the Federation</i>: the agreement states that for NS pre-positioned stock "... as maybe separately agreed by the national society ... the supplies maybe transferred to the Federation". With limited IFRC stock at the warehouse, stock temporary transfer from NS can occur regularly. Although permission was sought from the NS in the sample tested, standardised practices for transferring temporary stock have not yet been documented. | |
| <p>Agreed Action 5</p> <p>The Dubai office agreed to:</p> <ol style="list-style-type: none"> a) Document (with signatures of the preparer and the reviewer) all stocktakes performed. Should there be discrepancies noted, these should be explained with timely action taken. b) Review technology improvement options relating to documenting bin cards (including consideration of bar codes), to improve the accuracy and efficiency of stock management. c) Document standardised practices for stock transfer, including the approval, and replenishment process. <p>Managers responsible for the action: Logistics Manager – Lead / Head of Dubai Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p> | |
| <p>B1.2 Logistics and procurement management</p> <p>The logistics and procurement functions maintain monitoring tools to record tasks. For example, when a logistics order is placed, a unique reference number is generated. Similarly, for procurement, a tracking spreadsheet is retained to monitor the status of each procurement. The auditors reviewed these spreadsheets and noted:</p> <ul style="list-style-type: none"> - Job files are not consecutively numbered (e.g. vehicle job orders), which may restrict the ability to track missing job numbers, or to analyse the number of jobs performed. - Both tracking sheets were not kept up-to-date to ensure that information was accurate, complete and timely reported. <p>Recommendation #2 addresses the issues related to oversight.</p> | |

B1.3 Procurement processes

A sample of procurement transactions were tested to assess the process, and whether this was in accordance with the procurement authority granted. The following points were noted:

Suppliers database

Suppliers of the Dubai Office are entered into a project management and logistics system. The Dubai Office previously retained a separate supplier database; this file was lost. Manual folders are retained for supplier registrations, however, some of these have been archived for current suppliers. Although a summary of supplier information can be retrieved, a reconstruction of the database had yet to be performed to record relevant information on supplier management, including their performance.

Procurement testing

We tested five procurement files and noted the following:

- *Logistics requisitions & purchase orders*: logistics requisition dates as well as purchase order dates are recorded in the procurement monitoring sheet. In two files tested the logistics requisition was dated after the request for quotation process/purchase order. The auditors were informed that in one file there was separate correspondence to authorise the request for quotation (RFQ) process earlier, but this was not filed. In the second file, the date in the final purchase order in project management system was not updated. A systematic process to track exceptions is not yet in place to identify and explain such cases.
- *Project file information*: a summary sheet should be prepared for each procurement file to ensure that all relevant documentation is retained, and to evaluate supplier performance. The testing noted that a summary sheet was not prepared for three closed files. Further, a procurement may include two components (the procurement of goods, and the shipping), and it was noted that a combined evaluation was performed even though this related to two different procurement processes.
- *Contract review process*: in one file tested relating to a framework agreement, the technical review by the IFRC legal affairs unit was not documented in the file (see A3.1 for recommendation).
- *Procurement authority*: the Dubai office's administration procedures state that any procurement for the purchase of equipment/items for the office must be submitted to the procurement unit. However, several procurement transactions tested were not performed by the procurement unit (see C3.1 for recommendation).

Agreed Action 6

The Dubai office agreed to:

- a) Reconstruct the supplier database, as well as the hard copies of files to ensure that there is a current database of pre-qualified suppliers, which includes their registration and records of prior performance.
- b) Analyse (intermittently) the information recorded in the monitoring sheet to ensure that exceptions/anomalies are identified and explained.
- c) Perform quality control testing of completed procurement files to ensure that all relevant information is retained on file, and that an evaluation is performed for each procurement process.

Managers responsible for the action: Senior procurement officer / Head of Dubai Office

Due Date: September 2017

Priority Rating: Medium

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| B2 | VEHICLES |
| <p>B2.1 Global fleet strategy</p> <p>The International Federation's global fleet programme is managed by the Global Fleet unit. In early 2016, the Federation engaged an independent firm to conduct a strategic analysis of the vehicle rental programme and ambulance services. Further to the outcomes from the strategic review, the following were noted:</p> <ul style="list-style-type: none"> - <u>Strategy and business case for fleet:</u> the Federation investment in vehicles, including ambulances, is based on an approved decision paper to establish a ceiling of fleet capital for ambulances of CHF3.7million (175 ambulances). This temporary measure was put in place pending a decision on the business case. As at the audit, the business case had been drafted and was in the process of final review for presentation to the Finance Commission. - <u>Rate review for vehicles services:</u> Rental rates were reviewed in terms of the value in 2010, and with introduction of new vehicle models, changes occurred in 2012/13. Nevertheless, the rate structure was not reviewed in time. This was performed in late 2016, and has been submitted for approval. A systematic process to review fees (e.g. on a rolling 2-5 year period) has not yet been established. | |
| <p>Agreed Action 7</p> <p>The Dubai office agreed to:</p> <ol style="list-style-type: none"> a) Finalise the business case for fleet (including ambulance services) for submission to management. Adjust/develop a plan based on the decisions made by management. b) Establish a systematic process to review the fee structure of fleet services. This should be reviewed on an interim basis (e.g. a rolling 2-5 year period or as necessary) <p>Managers responsible for the action: Global Fleet Coordinator (Lead) / Head of Dubai Office</p> <p>Due Date: March 2017</p> <p>Priority Rating: High</p> | |
| <p>B2.2 Global fleet operational matters</p> <p>As per the September 2016 Global Fleet Finance report, there were 1,168 vehicle units. One of the responsibilities of the Global Fleet unit includes ensuring that all vehicles operating under the Federation umbrella are managed per established standards and procedures.</p> <ul style="list-style-type: none"> - <u>Fleet manual:</u> The existing fleet manual was developed in 2008 and a review process was initiated in 2013, but has not yet concluded. Ambulance services are not included in the current manual and there are up to 175 ambulances as part of the vehicle rental programme. - <u>Surveys and customer feedback:</u> The Global Fleet unit has taken steps to adapt to changing requirements of the Federation operations and National Societies. For example, a vehicle tracking system analysis was performed in August 2016, and a survey was conducted to obtain user feedback. However, a broader survey with general customer feedback has not been recently performed. - <u>Self-insurance provision (SIP):</u> The rental agreement includes a clause on self-insurance provision which states that the IFRC will provide SIP insurance for "<i>full comprehensive repair and replacement insurance covering fire, theft and collision</i>". The SIP has not been recently assessed, although there are plans for a review in 2017. | |
| <p>Agreed Action 8</p> <p>The Dubai office agreed to:</p> <ol style="list-style-type: none"> a) Finalise the amendment to the fleet manual, and develop a plan to communicate and roll-out implementation, including awareness raising of key changes. b) Establish a systematic process to obtain feedback from users in relation to fleet services (for example, a survey to be distributed on a 2-3 year basis). c) Finalise the review of the self-insurance provision (SIP), and develop an action plan to implement agreed recommendations. | |

Manager responsible for the action: Global Fleet Coordinator

Due Date: December 2017

Priority Rating: Medium

B2.3 Oversight of country offices & reporting

The Global Fleet unit has established systems to monitor vehicle usage. There is a regional fleet support team, and a fleet management system to record key vehicle information such as mileage, repairs and maintenance. It was noted that:

- an automated email is generated when monthly information is not entered.
- The operating system is reconciled with the financial reports to ensure that fixed assets are recorded. However, the fleet management system should also register and record all other assets with fuel consumption such as generators.
- vehicles are required to have local 3rd party insurance, with a copy expected to be sent to the Global Fleet unit. The fleet management system indicated that there were records of vehicles either without third party insurance or with expired insurance policies.
- there are monthly vehicle regional reports, but these are inconsistent in relation to quality (see A1.2).

Agreed Action 9

The Dubai office agreed to strengthen monitoring controls to ensure that:

- a) Other assets (such as generators) are entered into the fleet management system with fuel consumption added and monitored monthly.
- b) Exception reports are generated for third party insurance and this is shared with regional support teams for follow-up.

Manager responsible for the action: Global Fleet Coordinator

Due Date: June 2017

Priority Rating: Medium

B2.4 Global fleet procurement, conversion and disposal of vehicles

Framework agreements have been established for the procurement, conversion and disposal of vehicles.

Procurement of vehicles is performed by the Logistics Management function (Geneva). The disposal of vehicles is performed by a Dubai based auctioneer. The results of a sample of auction results were reviewed in comparison with the written down value of the vehicles. The amount received exceeded this residual value in most cases. There were no reportable issues noted.

B2.5 Dubai office fleet management

The Dubai office operates three vehicles for general office use and the audit reviewed the vehicle management processes. There were no reportable issues noted.

SECTION C – OPERATIONS SUPPORT

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| <p>Good practices</p> <ul style="list-style-type: none"> ü General quality of financial supporting documentations. ü Database established to monitor document validity, including reminder emails sent prior to expiry dates. | |
| C1 | FINANCE |
| C1.1 | <p>Financial management and oversight</p> <p><u>Financial oversight</u></p> <p>Relevant financial transactions are recorded both by the Dubai Office, as well as the finance function in Geneva (e.g. stock transactions). The audit reviewed a sample of the Dubai Office’s monthly checklists as well as the associated financial statements and noted that the finance function was aware of the main outstanding financial matters. However, there were several long outstanding receivables (from 2013) of more than CHF25K, which had not yet been resolved.</p> <p>As noted in A1.2, there is no documented monthly financial oversight performed to review the accuracy, completeness and timeliness of the transactions and financial statements. Recommendation #2 addresses the issues related to oversight.</p> <p><u>Reporting on finance key performance indicators (KPIs)</u></p> <p>The Dubai Office regularly reviews and updates project budgets and, in addition, periodic finance reports are prepared by the Finance function, which includes highlighting major variances between expenditure and budget.</p> <p>The Federation has established global financial KPIs and each Region reports on these quarterly. This quarterly report includes all offices which are within the scope of the region; however, the MENA region excludes the Dubai Logistics office from its reporting. Although there are some KPIs which may not be relevant to the Office, other KPIs are equally applicable and should be regularly reviewed and monitored. For example, shared office service costs, and reporting on foreign exchange gains/losses.</p> <p>Without targets and indicators established for the Office, there is a risk that targets are not achieved, and that risks are not timely identified and addressed.</p> |
| | <p>Agreed Action 10:</p> <p>The Dubai office agreed to determine (in conjunction with the Geneva/Region finance functions) the finance KPIs, and regularly report, with explanations provided for major variations.</p> <p>Managers responsible for the action: Finance Manager (Lead) /Head of Dubai Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p> |
| C1.2 | <p>Staff working advances</p> <p>The audit reviewed the processes for issuing and reporting staff working advances and sample tested nine transactions. Other than the findings in C1.4 (recurring working advances used as petty cash), and B1.3 (procurement through working advances), there were no reportable issues noted.</p> |
| C1.3 | <p>Bank account management</p> <p>The audit reviewed the bank account management processes and sample tested bank reconciliations performed. There were no reportable issues noted.</p> |

C1.4 Cash management

The Dubai Office operates two petty cash floats (USD and local currency) which are managed by the finance function. The auditors performed a cash count and found the balances matched the records. The following points were noted:

- Surprise cash counts: the auditors were informed that these are performed, but these were not documented.
- Working advances managed as petty cash: there are two rolling working advances provided to staff for incidental expenditure. These amounts are replenished each month and do not require a detailed working advance request. Therefore, these working advances operate in the same manner as petty cash. The controls for these working advances are not the same as the finance managed petty cash.

Agreed Action 11

The Dubai office agreed to establish a petty cash policy which documents the processes for performing and recording surprise cash counts. This should also include controls in place for "petty cash" managed through working advances.

Managers responsible for the action: Finance manager (Lead) /Head of Dubai Office

Due Date: June 2017

Priority Rating: Low

C1.5 Finance supporting documentation

The audit sample tested 52 transactions to review the: a) adequacy of supporting documentation; b) adequacy of the approval, c) accuracy of the accounting; and d) the accuracy of the timing (correct period). In general, the supporting documentation was sufficient to substantiate the transaction. The following findings were noted:

- a) Supporting documentation
 - a paid stamp is not consistently used to cancel invoices to prevent duplicate payment.
 - a request for payment (RFP) cover sheet is not used to process payments. Instead of the RFP form, a stamp is used to record the relevant information.
 - there were two examples where the supporting documentation was not sufficient on file. It was noted that further evidence or reconciliations were provided later to substantiate the transactions, however these were not attached to the original document.
- b) Appropriate approval: in general, appropriate approval was obtained. However, the monthly payroll was not signed as validated by the human resources function, prior to processing (see C2.4). (The audit noted that from January 2017 onwards, human resources validation is added on the monthly salary sheet).
- c) Accurate coding and amount: in general, the correct code and value were used to record the transaction.
- d) Correct period: In general, the transaction is recorded in the correct period. However, there was one example where the invoice was directly expensed and not recorded as a supplier payment. Furthermore, the invoice and services were provided in 2015, but this was recorded in the 2016 financial statements.

In general, the quality of the supporting documentation reviewed was adequate with several areas for improvement. The recommendation related to supporting documentation is part of C1.1/A1.2 and should form part of the interim review of files by the oversight function.

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| C2 | HUMAN RESOURCES |
| <p>C2.1 Recruitment, job specifications and classifications</p> <p>The audit reviewed a sample of recruitment files as well as the job classification system. There were no reportable issues noted, other than documentation (see C2.3).</p> | |
| <p>C2.2 Starters, leavers, performance management, and leave management</p> <p><u>Starters and leavers process</u></p> <p>A briefing package has been developed and this is used for incoming staff. A secretariat wide e-boarding process was initiated mid-August 2016, however, the Dubai Office was not aware of this new process. This had been shared with Regional HR managers, but had not been shared with the human resources function at the Dubai Office (see also A2.1).</p> <p>In relation to departing staff, two leavers files were reviewed. It was noted that a leavers checklist and a finance clearance form had been completed for one of the leavers. For the other leaver, there was no such documentation.</p> <p><u>Performance objectives/appraisals</u></p> <p>The audit reviewed the status of performance objectives and appraisals and noted that, with a few exceptions, these were completed. There was one exception noted where the objectives and self-assessment had been performed by the staff, but the review process (performed from the line manager in another location), had not been completed.</p> <p>A sample of objectives was reviewed and it was noted that the objectives were general and not sufficiently specific and measurable, to enable an assessment of whether verifiable objectives had been achieved.</p> | |
| <p>C2.3 Personnel files</p> <p><u>Security of personnel files</u></p> <p>The physical personnel files are stored in a locked cabinet with the HR/administration manager. However, the following were noted:</p> <ul style="list-style-type: none"> - the keys to the cabinet are kept in an unlocked draw. There are two (non-HR staff) located in the same office as the HR manager who could access these keys. - there were five personnel files (departed staff, from 2013) stored in the meeting room in an unlocked cabinet. <p>Digital personnel files are saved under a designated human resources folder. There is restricted access to this folder, which includes access by the finance function for payroll purposes. However, it was noted that the finance function has full access to all human resources information, including information which should be restricted (e.g. human resources personal correspondence relating to contracts, or pending legal cases).</p> | |
| <p>Agreed Action 12</p> <p>The Dubai office agreed to:</p> <ol style="list-style-type: none"> a) Train staff on the objective setting process to ensure that objectives are SMART and can be clearly reported against, during the performance appraisal process. b) Restrict access to both physical and soft copy personnel files to ensure that human resource information is shared on a need-to-know basis. <p>Managers responsible for the action: Administration/Human resource Senior Officer (Lead)/ Head of Dubai Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p> | |

C2.4 Payroll, benefits and remuneration

Payroll process

The payroll is processed monthly and, in the sample reviewed, the amounts matched the employment contracts. However, as noted in C1.5, human resources were not part of the validation process in the period tested (HR was included in the validation process from January 2017). The audit noted one incident of overpayment of salary which was later identified and required funds to be paid back to the IFRC by an employee.

Salary adjustments

Salary adjustments include a cost of living allowance and an increment based on performance. For 2017, this process would align with the performance based increment consistent with the Geneva secretariat.

Housing guidelines

The Dubai Office updated its housing guidelines in October 2016. These guidelines apply to international staff and include an entitlement limit for rent and furniture. The following points were noted:

- This entitlement limit for rent was based on a market analysis performed by the Office.
- The guidelines state that the Federation gives a limited level of support to purchase furniture (with a list of allowable furniture provided as an annex). Staff members were therefore able to purchase furniture using a working advance or petty cash, and not necessarily with three quotations if the amount was over CHF1K.
- The guidelines were approved by the Head of Dubai Office and shared with MENA Regional office.

Agreed Action 13

The Dubai office agreed to:

- a) Establish and document criteria in relation to salary adjustments with due consideration for budget implications.
- b) Include both the human resources and the finance functions in the payroll review process to ensure the payroll is in accordance with staff contracts. The payroll summary sheet (including any other personnel payments) should be signed by both finance and human resources before being approved by the Head of Dubai Office.
- c) Submit the housing guidelines (and any exceptional approval) for technical review by HR Region/Geneva in accordance with the role matrix established in recommendation #3.

Managers responsible for the action: Administration & HR Senior officer (Lead)/Head of Dubai Office

Due Date: June 2017

Priority Rating: Medium

C2.5 Labour Law, staff regulations and contracting

The Dubai Office has established national staff regulations in 2016 applicable to all hiring of local staff. A review of the staff regulations, staff contracts and practices noted the following:

- In the past, staff contracts included a clause which granted the staff a return trip to their home country once per year. However, this benefit was not included in the staff regulations. From early 2016 this was no longer provided.
- The number of annual leave days reduced from 24 days to 22 days in the 2017 staff contracts. In the current staff regulations, it states an allowance of 24 annual leave days.
- The contract states that all annual leave must be used within the present contract. However, in practice, all annual leave days are not used by the end of the contract, and these are carried forward to the new contract period.

Agreed Action 14

The Dubai office agreed to review and align the staff regulations, contracts and practices to ensure consistency. For amendments to staff regulations or contracts, the local legal advisor/IFRC legal affairs/and HR should be consulted for guidance.

Managers responsible for the action: Administration & HR Senior Officer (Lead) /Head of Dubai Office

Due Date: September 2017

Priority Rating: Medium

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| C3 | ADMINISTRATION & ASSETS/INVENTORY |
| <p>C3.1 Administrative policies and procedures</p> <p>The administration function includes roles related to processing travel requests, and general office matters such as ensuring valid licenses and contracts are timely renewed. The Dubai Office established administration procedures to communicate this information. This includes areas such as working hours, security, visas and staff leave. The audit reviewed these procedures and noted that:</p> <ul style="list-style-type: none"> - Annual Leave: section 14 states that <i>"leave days carry over a total of 7 days for delegates, and 7 days for local staff of accumulated leave from one calendar year to the next and to be utilized within the first quarter"</i>. This clause contradicts the international staff regulations which states that <i>"employees will be allowed to carry over a total of 15 days of accumulated leave from one year to the next"</i>. - Procurement: section 12 states that <i>"any request for purchase of equipment/item (for office/residence) must be made through a requisition form, duly approved by the line manager and budget holder, validated by the Finance department, and submitted to the Procurement unit"</i>. However, in practice some procurement is performed by staff through working advances. | |
| <p>Agreed Action 15</p> <p>The Dubai office agreed to review and align the administration procedures with other documents (e.g. staff regulations, contracts) and practices to ensure consistency.</p> <p>Managers responsible for the action: Administration & Human resources Senior Officer (Lead)/Head of Dubai Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Low</p> | |
| <p>C3.2 Asset/inventory management and safeguarding</p> <p>The auditors reviewed a sample of ten vehicles registered on the fleet management system with the physical verification of these vehicles. There were no reportable issues identified.</p> | |

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| C4 | INFORMATION SYSTEMS |
| <p data-bbox="204 312 477 344">C4.1 IT management</p> <p data-bbox="204 363 1451 457">IT support is outsourced to an external service provider. There has been further support provided by the Geneva and Regional IT functions. As at the audit, the Dubai Office was assessing the scope and quality of the support provided by the external provider, but a decision had not yet been made on whether services should be continued.</p> <p data-bbox="204 474 1284 506">The recommendation in relation to IT relates to risk management and is highlighted in A1.1 and A1.2.</p> | |

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

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|-------|------------------------------------------------------------------|
| AED | Emirati dirham |
| APPLE | IFRC appeal and pledge software |
| CHF | Swiss francs |
| KPIs | Key performance indicators |
| HLS | Humanitarian Logistics Software |
| HR | Human resources |
| IFRC | International Federation of Red Cross and Red Crescent Societies |
| MSR | minimum security requirements |
| OIAI | Office of Internal Audit and Investigations |
| SMART | Specific, measurable, achievable, realistic, time bound |
| SOSC | Shared office service costs |
| UAE | United Arab Emirates |