International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**INTERNAL AUDIT OF THE MENA REGIONAL OFFICE
REPORT NO. IA-2016-01**

AUDIT PERFORMED: FEBRUARY/MARCH 2016

REPORT DATE: JUNE 2016

TABLE OF CONTENTS

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

PART I - INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The Middle East and North Africa (MENA) Regional Office (the Office) of the International Federation of Red Cross and Red Crescent Societies (IFRC) is located in Beirut, Lebanon. The Office provides support to 17 National Societies of the MENA Region.

Its objectives, stated in the 2016 Operational Plan, are covering the following areas: Disaster risk reduction; Shelter; Livelihoods; Health; Water and sanitation; Culture of non-violence and peace; Social inclusion and Migration.

The main recent and/or current emergency appeals supported by the Office included the Syria Complex Emergency and the Lebanon, Iraq and Jordan Population Movement Appeals.

As at the audit, the Office employed 36 national staff (from which 10 are seconded to integrated PNS in-country) and 14 international staff, and had a 2015 annual budget for emergency and development programs in the amount of CHF 58.7M.

The last internal audit of the Office was performed by the Office of Internal Audit and Investigations (OIAI) in November 2012. The current internal audit was performed between February and March 2016.

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 and manage risk), governance and oversight.
- Coordination and organization of work, including communication.
- Legal risk management including contracts management, and integration agreements with Partner National Societies.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

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.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

4. SUMMARY OF KEY FINDINGS AND MANAGEMENT ACTION PLAN

Number of Agreed Action Points by Section/Priority*

SECTION	Agreed Action Points		
	High Priority	Medium Priority	Low Priority
A OVERSIGHT AND RISK MANAGEMENT	**2**	**2**	**-**
A1 Risk management, oversight and monitoring	1	-	-
A2 Organisation, coordination and communication	1	-	-
A3 Legal & supplementary services	-	2	-
B PROGRAMME AND PARTNERSHIPS MANAGEMENT	**2**	**4**	**-**
B1 Programming, planning, monitoring, evaluation, and reporting	1	-	-
B2 Resource development and Partnerships management	-	2	-
B3 Logistics, procurement and fleet	-	2	-
B4 Security	1	-	-
C OPERATIONS SUPPORT	**4**	**7**	**-**
C1 Finance	2	3	-
C2 Human resources	2	3	-
C3 Administration	-	-	-
C4 Assets and inventory	-	-	-
C5 Information systems	-	1	-
TOTAL AUDIT AGREED ACTION POINTS	**8**	**13**	**-**

* The various priority levels are defined in Annex 2

Improvement areas

Observations 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	3	6	-
b)	Efficiency	-	2	-
c)	Asset Safeguarding	4	5	-
d)	Reporting	1	-	-
Total		**8**	**13**	**-**

In relation to the audit objective of compliance, 15 of the above observations/action points were caused in part by compliance related matters.

A summary of the high priority (and other important medium priority) risks by audit objective is as follows:

Effectiveness

There are three high priority management action points (#1, #2, #17) with a primary risk related to effectiveness. To improve effectiveness, the office should:

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

**MENA Regional Office
Audit Report No. IA-2016-01
June 2016**

- *Strengthen its risk management systems, as well as establishing processes to ensure that policies and procedures are complete, and timely and effectively communicated to relevant staff (Agreed Action Point #1);*

- *Finalise and implement the reorganization of the office, including as a matter of urgency, the appointment and plans of key functions (including heads of country offices/cluster support teams/organisational development). (Agreed Action Point #2).*

- *HR processes are streamlined, namely: the induction process is assessed and reinforced including a timely, comprehensive and tailored induction/briefing; a starters and leavers checklist is developed at the time a new staff member joins or leaves the Federation; a robust monitoring and implementation process is established to ensure that objective setting and performance appraisals are finalised within the official deadlines; and staff development planned activities should be formally established as part of the annual objective setting for international and national staff (Agreed Action Point #17).*

Efficiency

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

Asset Safeguarding

There are four high priority observations/action points (#10, #13, #15, #20) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

- *Strengthen the security framework, i.e., ensure all staff complete mandatory security courses; document the security monitoring and reporting process for travelling staff; and briefing session is organised and made compulsory for all staff to clarify any questions about the Country evacuation plan (Agreed Action Point #10);*

- *Review the funding modalities for partners, namely, performing the required assessments for the respective National Societies, and reassess more regularly as required and further monitoring to ensure that the Partner is addressing the weaknesses identified in the cash transfer audits. Mapping the VAT exemption status of National Societies and developing a process to ensure that this is regularly reviewed and updated (Agreed Action Point #13).*

- *Document who are the required validation and approval signatories for transactions and communicate this throughout the office. Establish a process to ensure that before any expenditure or journal entries are processed it has met standard requirements, i.e., authorisation and validation as per the Federation expenditure authorisation policy/cash disbursement guidelines, ensuring there are sufficient documentation or explanations on the reasoning behind the transactions (Agreed Action Point #15);*

- *The national staff regulations for MENA Regional Office, as well as other Country Offices in MENA, are finalised and shared with Geneva Human Resources and Legal departments for review and final validation. Consultancy procedures are strictly followed, namely, a) the selection process; b) the payment process of consultancy fees; c) the compliance with the invoice, receipt, review and validation processes including the satisfactory completion of the work and the delivery of a final report; and d) a performance assessment of the consultant upon work completion (Agreed Action Point #20).*

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

Reporting

There is one high priority observation/action point (#5) with a primary risk related to reporting. To improve reporting, the office should:

- *Improve project management practices relating to planning, monitoring, evaluating and reporting on projects. This should include improving the capacity of project managers, timely revising project documents such as appeals, budgets and PEARs; developing complete monitoring and evaluation (M&E) plans for projects; planning and budgeting for evaluations; and recording report due dates accurately into our reporting systems (Agreed Action Point #5).*

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

PART II - DETAILED OBSERVATIONS & MANAGEMENT ACTION PLAN

NO. IA-2016-01

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

SECTION A – OVERSIGHT AND RISK MANAGEMENT

Good practices

✓ The e-contracts approval system is used as a contract management database with all contracts in the process of being uploaded.

✓ An emergency tracking sheet has been developed to monitor key project information including budgets, income, timeframes and reporting.

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING

A1.1   Risk management

Risk management is performed informally and a systematic process to identify, assess and manage risks has not yet been established. For example, the 2015 Regional Operational Plan did not include a detailed risk assessment. This was also the case for a country 2015 Operational Plan which did not include a security risk mitigation plan, although it`s 2015 Operational Report noted that parts of the plan could not be implemented because of security concerns.

In the 2016 Regional Operational Plan, there were four main risks identified (security, funding, information management, risk of sanctions) with mitigation activities highlighted. However, a process to ensure that these mitigation activities were being monitored had not yet been established.

A1.2   Governance and oversight

Internal controls – policies and procedures

Interviews with staff and the observation of practices indicated that in general, staff are aware of most policies and procedures relevant to their role. However, recent global policies and procedures were not universally known by all staff interviewed. As a result, there were gaps with the compliance with some of these policies and procedures (e.g. compulsory completion of stay safe training for all staff, quarterly approval of staff expenditure who are based in other locations).

Further, internal region specific policies/procedures (e.g. the standard operating procedures for disaster management, limits in relation to representation costs) had not yet been finalised.

Project/programme oversight

Oversight tools being used by the office to monitor projects include the quarterly financial analysis report, and an emergency tracking sheet. These tools help to identify key areas of concern requiring action. In the January-June 2015 financial analysis report, it noted that for its development programmes, year to date expenditure for the Region was 47% of the year to date budget, with expenditure of the North Africa development plan at 19%.   This underspending was further highlighted in September 2015 which reported year to date expenditure of 42% (Region) and 13% (North Africa). Although low implementation rates were highlighted as a concern during the course of the year, action plans to address these issues were not developed and at year-end the issues remained unresolved (2015 expenditure of 49% for the Region and 15% for North Africa).

In relation to the emergency tracking sheet, this was developed to assist with overall monitoring and tracking. This was noted as a positive initiative however, it had not been updated since October 2015.

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

**MENA Regional Office
Audit Report No. IA-2016-01
June 2016**

Agreed Action 1:

The Regional Office agreed to develop a risk management process to ensure that risks are timely identified, assessed, and managed. This should include:

a) Developing risk management awareness of staff, including appointing a risk management focal point for the regional office.

b) Developing and monitoring (at least every six months) a risk register, with risk mitigation actions.

c) Establishing a process to ensure that relevant global policies and procedures are timely communicated to staff, and subsequently implemented.

d) Finalising and implementing standard operating procedures/guidance for (including disaster management, and limits on representation costs).

e) Establishing oversight mechanisms to ensure that identified risks (e.g. highlighted in the financial analysis report), include action points which are monitored to ensure implementation.

Manager Responsible for the action: Regional Director

Due Date: September 2016

Priority Rating: High

A2	ORGANISATION, COORDINATION AND COMMUNICATION

A2.1   Organisation

The Region is in the process of re-organising how it works to align with the revised Secretariat structure. In the Region`s organogram, at the time of the audit, there were more than fifteen vacant positions which were at various stages of recruitment. IOAI also noted a lack of segregation of duties in some functions in the existing structure, and had yet to be incorporated in the reorganisation of tasks.

A2.2   Coordination and communication

An organisational development function is included in the proposed organogram for the Region. At present, National Society capacity development activities are performed in relation to programme management, communication, and finance. In relation to National Society procurement, the IFRC relies on the procurement procedures of the National Society for DREF operations. However, a comprehensive and coordinated mapping of National Societies` capacities and resources in the areas of finance and procurement has not yet been performed.

Agreed Action 2:

The Regional Office agreed to:

2.1   Finalise and implement the reorganization, including as a matter of urgency, the appointment and plans of key functions (including heads of country offices/cluster support teams/organisational development).

2.2   Carry out a comprehensive and coordinated mapping of National Societies` capacities and resources in the finance and procurement areas.

Manager Responsible for the action: Regional Director

Due Date: September 2016

Priority Rating: High

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

A3	LEGAL AND SUPPLEMENTARY SERVICES

A3.1   Contract management

The Region is using the e-contracts system to initiate, review and approve contracts. This has helped to ensure that a due process is followed for entering into contractual arrangements in accordance with the contract approval matrix. In a sample of eleven contracts reviewed, it was noted:

- Roles and responsibilities in relation to contract management are dispersed amongst different functions. For example, finance, the office of the regional director, and the programmes functions each retain contracts and there is overlap in record retention. Integration agreements with National Societies for instance, are retained by two functions, and original contracts have not been filed in accordance with the record retention guidance in the contract approval matrix.

- Cooperation agreements with National Societies are not timely reviewed and four of the agreements reviewed had expired. Although the process had commenced to renew agreements, this process had not yet concluded.

- The e-contracts system is used as a contract database but it is not yet complete with all current agreements. For example, the IFRC status agreements or office registrations had not been uploaded to the database. Further, the information included in the database is not reviewed and contracts showed statuses as "draft" (two contracts) and "pending approval" (one contract) but had end dates which were in 2015, indicating that they had not been approved in the e-contracts system.

- Project agreements are generally established, however; this had not been finalised for one project.

Agreed Action 3:

The Regional Office agreed to establish clear roles and responsibilities in relation to contract management, and develop a process to ensure that:

a)   There is regular oversight of the completeness of the e-contracts database.

b)   Cooperation and project agreements are established with National Societies and these are timely renewed.

Manager Responsible for the Action: Regional Director

Due Date: December 2016

Priority Rating: Medium

A3.2   Supplementary services

Integration Agreements

Supplementary services have been provided to a Participating Partner National Societies (PNSs) in MENA region on the basis of a signed Service Agreement. However, the services provided by the IFRC Secretariat included contractual services (e.g. contracts of national staff) which should have been covered through an Integration Agreement.

A considerable number of PNSs (6) are working under a signed Integration Agreement in Lebanon. The IFRC Regional Office provides a number of services according to the integration agreement, including the signature of contracts on their behalf. However, it had not been assessed as to whether the PNSs are signing some contracts (such as procurement, administration contracts) without the IFRC Office being informed.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

Agreed Action 4:

The Regional Office agreed to strengthen the controls related to integration agreements by ensuring that:

a)   An Integration Agreement is signed with the PNS, if any contractual or security services are to be provided;

b)   Clarification is sought to ascertain whether PNSs working under an Integration Agreement are signing any type of contracts in Lebanon. If so, a copy of such contracts should be provided on a regular basis to IFRC. In such cases, the signature authority (including types of contracts that can be signed and/or potential amount ceilings) should be delegated in writing by the MENA Regional Director.

Manager Responsible for the Action: Director of Region

Due Date: July 2016

Priority Rating: Medium

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1   Project management

Appeal revisions

The main emergency appeals managed by the Region include Syria (complex emergency), Jordan (population movement), and Iraq (population movement). The Region also oversees eight (2016) development operational plans (Yemen, Palestine, Libya, Lebanon, Iraq, Gulf cluster, North Africa cluster and the MENA region).

The audit sampled three emergency appeals and noted that two of these appeals have been timely revised. However, for the Syria complex emergency appeal (which has an end date of December 2015), as at February 2016 the appeal had not been formally revised to extend the timeframe from December 2015 to December 2016.

Project implementation and expenditure

In 2012, the IFRC planning and evaluation function recommended that all staff who have project management responsibilities complete the Project, Programme, Planning (PPP) e-learning course to develop key skills and methods for results-based projects and programmes. However, only five staff in the Region are recorded as having completed the recommended PPP (Programme, Project, Planning) training, and one staff has completed the monitoring and evaluation training.

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

Project planning and monitoring

The Region is implementing the revised plan and budget process for 2016-2020. This includes developing a monitoring and evaluation (M&E) plan for all operational plans.   For 2016, M&E plans have been drafted however, these were not completed for all plans. For example, indicator definitions, responsibilities and budget items were missing in some operational plans (e.g. MENA Region, North Africa cluster).

Evaluation

The IFRC evaluation framework provides guidelines in relation to when evaluations should be conducted. It states that all Secretariat programmes/projects over 24 months should have some form of mid-term assessment, and that all programmes/projects should have a final assessment. There have been two evaluations reported on the www.ifrc.org website between 2012-2015 – a real time evaluation for the Syria complex emergency and an evaluation of community based health in Jordan. Evaluations are not consistently planned and budgeted for in the Region, which has resulted in fewer evaluations being performed and which limits documented learnings, and transparency and accountability.

Reporting – due dates

As at the 16th March 2016, the business objects report showed that the MENA Region had 43 donor reports due in the coming month and 25 reports completed since January 1st. However, it was noted that not all reporting information is entered into APPLE, which impacts the accuracy of the report generated. For example, the due dates for some reports (e.g. Operational Reports and Annual Reports) are not registered into APPLE system until they are completed. Further it was noted that plans and reports even, when prepared, have not all been published on Fednet or the public website.

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

**MENA Regional Office
Audit Report No. IA-2016-01
June 2016**

Agreed Action 5:

The Regional Office agreed to develop improved project management practices relating to planning, monitoring, evaluating and reporting on projects by:

a) Improving the capacity of project managers (e.g. through e-learning training such as PPP and M&E)

b) Revising project documents such as appeals, budgets and PEARs on a timely basis.

c) Developing complete monitoring and evaluation (M&E) plans for projects. Where there are low implementation rates, action plans should be developed to address this.

d) Planning and budgeting for evaluations, and developing a system to monitor the implementation of agreed recommendations from evaluations.

e) Recording report due dates into APPLE as soon as the due date is known, and monitoring that plans and reports are timely completed and published on Fednet and/or the public website, where required.

Manager Responsible for the Action: Regional **D**irector

Due Date: September 2016

Priority Rating: High

B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT

B2.1   Resource development

Roles and Responsibilities

The responsibilities for Resource Development (RD) are mostly performed by individual managers. The MENA Regional Office does not have a RD Coordinator. RD functions have been previously performed by one RM officer who was on maternity leave at the time of the audit. During that time, the RD administrative tasks (pledge registration and management) were managed by the Finance officer.

A Resource Development Coordinator position had been approved and, as at the audit, the recruitment process was underway.

Agreed Action 6:

The Regional Office agreed to strengthen the regional resource development capacity by ensuring that:

a) The process to hire a Resource Development Coordinator is finalised. Once the RD Coordinator is in place, the Resource Development roles and responsibilities in terms of fund-raising and pledge management among the Regional Office functions and across the MENA Country & Clusters Offices should be clarified and documented.

b) A Resource Development process (strategic approach) to identify, track and manage funding opportunities is established. This should include the continue adoption of the CRM (Customer Relationship Management) to manage this process. Furthermore, RD plans are regularly (at least quarterly) updated and a review of funding needs is performed.

Manager Responsible for the Action: Head of Development & Partnership

Due Date: July 2016

Priority Rating: Medium

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

B2.2   Pledge management

Pledge management collection

A number of pledged amounts have been overdue for a long period. An effort to collect the payments of such pledges has been on-going, however there are still 8 outstanding pledges overdue for payment (five of them due since 2014).

Agreed Action 7:

The Regional Office agreed to develop a formal process (including escalation) to follow up on overdue pledge payment, including ownership, accountability and documenting actions to resolve such delays. The current overdue pledge amounts are dealt with (i.e. preferably collected).

Manager Responsible for the Action: Head of Development & Partnership

Due Date: July 2016

Priority Rating: Medium

B2.3   Partnerships

The audit did not note any reportable issues.

B3	LOGISTICS, PROCUREMENT AND FLEET

B3.1   Logistics and warehouse management

The audit did not note any reportable issues.

B3.2   Procurement

Procurement Process

Procurement for the MENA Regional office is performed by the Administration department and the types of procurement are confined to office procurement (e.g. stationery items) and operations` support such as printing and translation services.

The audit noted that noted:

- *Logistics requisition (LR):* LRs define the requirement for procurement and serves as the authorization document for the procurement entity. The audit noted that LRs are not consistently used for this purpose with examples of LRs initiated after the procurement process commenced. LRs were also performed through email communication without using the standard LR format resulting in a lack of specifications and insufficient details for items/services being requested.

- *Request for quotation (RFQs):* A RFQ process is used for procurement over CHF1K as per the IFRC procurement manual However, RFQs are not consistently retained in the procurement files and communication in relation to RFQs are performed via email and kept in the sender's email account.

- *Purchase Orders (POs):* POs are issued for procurement over CHF1K as per the IFRC procurement manual. However, the standard IFRC general terms and conditions are not consistently attached to the PO. It was also noted that some POs were issued with the same date as the LR indicating the LRs were not being used for their intended control purpose.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

Suppliers management

- The Administration department uses a list of suppliers to whom it issues RFQs. However, supplier registration forms are not being used to pre-qualify suppliers to provide particular goods and services. Further, there is no consolidated supplier database and suppliers` management is performed separately by the Administration department (for non IT suppliers) and the IT department (for IT suppliers).

- Service agreements are established with suppliers who provide regular services. However, the audit noted that service agreements include prepayments for annual services which is contrary to IFRC standard practice.

Agreed Action 8:

In order to strengthen the Regional Office Procurement process and suppliers' management, the Regional Office agreed to:

a) Develop and monitor key performance indicators (KPIs) reflecting the lead time in processing requisitions, receiving quotes, and purchase orders issuance.

b) Include the standard IFRC general terms and conditions to all purchase orders to protect the IFRC from any untoward contractual liabilities. Non-standard terms such as advance payments for services, that have yet to take place, should be discontinued.

c) Develop a consolidated supplier database (for IT and non IT) which is retained centrally by the Administration department. Review the information provided by suppliers on a sample basis to ensure its accuracy and veracity.

Manager Responsible for the Action: Administration Senior Officer

Due Date: July 2016

Priority Rating: Medium

B3.3   Vehicle management (including fuel and maintenance)

Vehicle Private Use Policy

A private use policy for vehicles has not yet been established by the Regional Office and therefore, the appropriate processes to manage the use of vehicles for private purposes and respective fuel consumption are not documented, as per the Fleet manual (sections 4.6 and 4.7).

Fuel Management

Fuel management practices have been established. However, the following issues were noted:

- Debit cards are used for each vehicle and a detailed invoice is received on a monthly basis. Nevertheless, the reconciliation of the monthly invoice(s) are not done against the individual fuel receipts. Furthermore, there is no segregation of duties between the staff reconciling, processing the data in FleetWave and reviewing the amounts entered into the FleetWave system.
- There are two generators used by the Regional Office. Logbooks have been established for both generators, however one of the generators is not registered in FleetWave.

Vehicle maintenance contract

The Regional Office uses a Toyota Dealer to regularly service and repair the vehicles. A service contract has not been signed with the dealer, yet.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

Agreed Action 9:

In order to strengthen the Regional Office internal controls related to Vehicle management processes, the Regional Office agreed to:

a) Establish a private use vehicles policy based on guidance provided under the Fleet manual;

b) Document the fuel management process, from start to end, with defined roles and responsibilities for each step of the process and ensuring appropriate segregation of duties between the staff reconciling fuel amounts, entering data in FleetWave and reviewing the accuracy of FleetWave data report;

c) The fuel consumption and maintenance of both Generators are registered in FleetWave on a monthly basis;

d) Establish a framework agreement for vehicle maintenance and repair with the Toyota Dealer in-country. Maintenance performance indicators with the service provider can be mentioned in the contracts to manage the downtime days and avoid situations where the Delegation faces prolonged periods without a vehicle.

Manager Responsible for the Action: Finance & Administration manager; Administration Senior Officer

Due Date: July 2016

Priority Rating: Medium

B4	SECURITY

B4.1   Security framework

Security Training

Before Federation delegates (and national staff) assume their duties in field missions they should complete the e-learning security training module "stay safe personal security". However, according to e-learning platform data collection, approximately half of the staff in the MENA Region (including staff in Country/Cluster offices) have not completed the Stay Safe Personal Security and/or Stay Safe Management courses.

Monitoring of Travel in the region

Security regulations are expected to include field movement regulations that direct the manner in which all field movements are to be conducted and related approval procedures. In the Regional Office any travelling staff fills in a travel/mission form that is cleared/approved by the Security Advisor. The Security Advisor follows up on the travelling of staff within the region and tries to keep track of the staff movement. However, in such a high risk environment, the current systems and processes in place may not allow effective monitoring of the staff during travelling, in particular to locations where there is no IFRC Country Office (e.g. Morocco, Algeria, etc.).

Evacuation Plan

During our interviews it was noted that, despite staff have received an individual security briefing, some were not sufficiently clear and/or aware of the Country evacuation plan details. The same is also valid for PNS integrated staff.

Agreed Action 10:

The Regional Office agreed to:

a) Ensure that all staff and managers, in the Regional Office and respective delegations, complete mandatory security courses. Travel or field mission are not authorized before those courses are completed. The Regional Security & Protocol Advisor, in coordination with the Regional HR Manager, should monitor compliance with the "stay safe e-learning course" completion on a regular basis (at least every three months);

b) Ensure that the security monitoring process for travelling staff is documented. The process should include a flow chart indicating the steps, roles and responsibilities (including liaison with ICRC when applicable) and reporting mechanism during travel, ensuring that everyone (Security Advisor, Country Representative and Staff travelling) is fully aware and clear about his/her monitoring and reporting responsibilities;

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

**MENA Regional Office
Audit Report No. IA-2016-01
June 2016**

c) A briefing session is organised and made compulsory for all staff to clarify any questions about the Country evacuation plan. Such evacuation plan should be part of the compulsory security briefing for all newly recruited staff (and visitors, if required). Furthermore, the evacuation plan is distributed to IFRC and PNS integrated International staff.

Manager Responsible for the Action: Director of Region and Security & Protocol Officer

Due Date: July 2016

Priority Rating: High

B4.2   Security incident reporting

The audit did not note any reportable issues.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Financial management and oversight

The Regional office is responsible for the Lebanon financial accounts, and oversees and/records the financial transactions for six other country Offices including Iran, Iraq, Jordan Syria Palestine and Yemen.

Lebanon financial accounts

The financial accounts for Lebanon showed few outstanding issues as at December 2015. However, the following were noted:

- The month-end financial checklist is completed but there were delays in its completion and it was not accurately performed for the two months sampled.

- Outstanding issues were noted in the finance analyst`s review however, some were outstanding for consecutive months and were not resolved.

- Additional financial controls have yet to be implemented such as the consistent use of suppliers` accounts, and the reconciliation of the VAT and payroll accounts. Expenses are also claimed by staff on reimbursement and staff working advances are not consistently used.

Finance analyst function:

The finance oversight role of the Region includes ensuring that all entities within the Region are accurately and timely reporting and controlling the finances in their respective offices. This role includes reviewing the Delegation month-end files, and completing two checklists, Part A (finance check) and Part B (document check). The Region`s internally established timeframe for these tasks to be completed is five to ten working days following the end of the month for (Part A), and by the end of the month for (Part B). It was noted that:

- The finance analyst inputs the journal entries for Tunisia and Iraq, and therefore is not able to provide financial oversight for these entities.

- The Part A review, the auditors were informed that this has been performed, but the review has not been documented since November 2015.

- The Part B document review was not conducted on timely basis and not always documented.

Agreed Action 11:

The Regional Office agreed to:

a)   Establish a monitoring process to ensure the timely and accurate completion of the month-end accounts, including the month-end financial checklists. This should include a process for escalating outstanding/carry forward issues which are not resolved and to ensure that these issues are timely addressed.

b)   Establish additional financial controls such as the use of suppliers` accounts, monthly reconciliations of the VAT and payroll accounts, and increase staff awareness of the requirement to timely report on expenses.

Manager Responsible for the Action: Regional Director

Due Date: September 2016

Priority Rating: Medium

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

Agreed Action 12:

The Regional Office agreed to review the finance analyst function to ensure that:

a) There is adequate segregation of duties between the oversight function and the financial recording function (or other compensating controls are implemented).

b) The financial returns are monitored for timeliness, and that the Part A and Part B check lists are used to document the review process.

Manager Responsible for the Action: Regional Director

Due Date: September 2016

Priority Rating: Medium

C1.2   Partner working advances and cash transfers

The Regional office supports seventeen National Societies of which two are operating on cash transfer with the remainder operating on the working advance financing modality.

Cash transfer assessments

Before a National Society operates on cash transfer, an assessment is required to be performed and documented by the Region. It was noted that:

• Both National Societies on cash transfer have not been assessed by the IFRC within the three years' timeframe as required by the IFRC cash transfer assessment procedures.

• One National Society is operating on and has been retained on cash transfer even though the results from the previous two financial audits were a disclaimer of opinion and a qualified opinion.

Working advances

Working advances to partners only recently commenced from the Regional office in September 2015.   The audit did not note any reportable issues.

VAT exemption status

An updated mapping has not been performed of the VAT status of National Societies. Therefore, National Societies could be VAT exempt yet report to the IFRC on VAT inclusive expenditure.

Agreed Action 13:

The Regional Office agreed to review the funding modalities for partners which should include:

a) Performing the required assessments for the respective National Societies, and reassess more regularly as required.

b) Monitoring to ensure that the Partner is addressing the weaknesses identified in the cash transfer audits.

c) Mapping the VAT exemption status of National Societies and developing a process to ensure that this is regularly reviewed and updated.

Manager Responsible for the Action: Regional Director

Due Date: December 2016

Priority Rating: High

International Federation	MENA Regional Office
of Red Cross and Red Crescent Societies	Audit Report No. IA-2016-01
Office of Internal Audit and Investigations	June 2016

C1.3   Bank account management

Bank accounts and debit/internet cards

- The Regional office operates six bank accounts which include CHF, USD and LBP currencies. Three of these bank accounts are in the process of being closed, and these accounts have two registered signatories of staff who are no longer working at the office. Further, there is one bank account operating in the Region which is functioning on single signatory. Although there are compensating controls in place which limit the financial risks, these compensating controls are not documented.

- Monthly bank reconciliations are performed and in the sample tested these were performed accurately. However, it was noted that internet printouts of the bank statement were being used as supporting documentation rather than original bank statements.

- The Regional office is using debit and internet cards for making payments. However, there are no guidelines for their use and transactions relating to debit cards were shown as "reconciling items" in the bank reconciliation for a number of months before they were recorded in the financial statements.

Treasury management

The month-end bank account balances were reviewed and it was found that these were kept within reasonable levels. However, there were very small negative book balances in the bank accounts for June 2015 and December 2015 and January 2016. Although there are compensating controls to ensure that the bank account does not go into overdraft, negative bank balances should not occur.

C1.5   Cash management

Petty cash management

The regional office makes most payments through bank transfer and has limited cash transactions. Nevertheless, the following were noted:

- The petty cash policy is the process of being updated. There are no "ceilings" established for petty cash single transactions and account balance.
- The auditors were informed that surprise cash counts are being performed, but these were not documented.
- Cheque books are not kept secured in the office safe.
- Cash received by the office is recorded in a receipt book. However, there is no reconciliation between the receipt book and the financial system to ensure that all cash received has been accounted for.

Agreed Action 14:

The Regional Office agreed to review and strengthen the controls in relation to cash and treasury management including:

a)   Ensuring original bank statements are attached to bank reconciliations, and documenting the compensating controls for single signatory bank accounts.

b)   Documenting and implementing procedures for the use of debit/internet cards.

c)   Monitoring cash requirements to ensure that these are reasonable, and there are positive bank balances retained at all times.

d)   Finalising the petty cash policy (including documenting the ceilings for petty cash payments, the process for surprise cash counts, the security for cheques as well as the process for reconciling cash receipts).

Manager Responsible for the Action: Regional Director

Due Date: September 2016

Priority Rating: Medium

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

C1.6   Finance supporting documentation

A sample of transactions were reviewed to determine if controls were functioning as intended and if there was sufficient documentation to support and substantiate the transaction. In general, the transactions were booked correctly into the accounts however, there was some inconsistency in relation to the quality of supporting documentation retained. Some of the documentation were available as emails but were not attached to the document file. It was noted that insufficient supporting documentation or a note to file not prepared to provide reasoning and explanation for the exceptional transaction.

Agreed Action 15:

Regional Office agreed to establish a process to ensure that all expenditure or journal entries transactions meet the following conditions prior to them being processed:

a)   Proper authorisation and validation as per the Federation expenditure authorisation policy/cash disbursement guidelines;

b)   There is sufficient documentation or explanations on the reasoning behind the transaction, including notes to the file for exceptional transactions that require further elaboration.

Manager Responsible for the Action: Director of Region

Due Date: September 2016

Priority Rating: High

C2	HUMAN RESOURCES

C2.1   Recruitment, job specifications and classifications

Capacity - Recruitment

A considerable number of recruitment processes are on-going for International and National staff (30 to 40 positions), overstretching the capacity of the Human Resources Manager and Officer to deal with so many processes efficiently and effectively.

Salary scale and job classification

A Salary Scale for National Staff functions has been established. However, the various job functions have not gone through a classification process. Consequently, the contractual salaries might not be accurately fitting the current salary scale grades and levels.

National Staff Job Descriptions

Some of the National Staff job descriptions have not been up to date and do not accurately reflect the current roles, responsibilities and reporting lines.

Agreed Action 16:

The Regional Office Agreed the followings:

a)   HR Surge Capacity is immediately sought to support the various on-going recruitment processes in MENA;

b)   National staff job classification is performed and the salary scale adjusted accordingly. Any contractual salary must be within the approved salary scale;

c)   Job Descriptions are up to date with established reporting lines and according to current roles & responsibilities.

Manager Responsible for the Action: Regional Director of Region; Human Resources Manager

Due Date: June 2016 (a)/ August 2016 (b, c)   **Priority Rating:** High (a)/Medium (b, c)

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

C2.2 Starters, leavers and performance management

Induction/Briefings

While some Policies such as Code of Conduct and Safe Call are referred to during the briefing, other Policies such as Fraud & Corruption Prevention Policy and/or Child Protection Policy are not necessarily mentioned as part of the briefing.

Starters and leavers

A starters/induction checklist is not used when new staff joins the Regional office and hence there is no formal process to ensure that new staff have been inducted/briefed appropriately, required administrative arrangements have taken place and that all procedures and processes have been followed when a new staff member joins the Federation.

Handovers are not systematically performed when staff leave to ensure that institutional memory and documentation is retained.

No detailed leavers' checklist is used when a staff leaves the Federation (only the asset clearance form) and hence there is no comprehensive process of tracking that for example all debriefings have been conducted, the end of mission report has been concluded and all handover procedures have been followed.

Objectives setting and Performance Appraisal

Staff are required to have annual objectives established as well as performance appraisals concluded on a timely basis. The audit noted the 2015 Objective setting and year end appraisals for large number of staff were not concluded and approved by the line manager.

Staff Development

Development plans or skills capacity development for individual staff are not formally established and/or incorporated as part of their objective setting.

Agreed Action 17:

The Regional Office agreed the following actions:

a) The induction process is assessed and reinforced. This should include a timely, comprehensive and tailored induction/briefing. All relevant Policies, such as Child Protection Policy of Fraud & Corruption Prevention, should be part of the briefing package (available e-learning training on these subjects should be encouraged);

b) A starters and leavers checklist is developed. At the time a new staff member joins the Federation, the starters checklist should be used to ensure that all administrative arrangements are done, proper induction is conducted and the main IFRC procedures and policies are shared. Similarly, a leavers' checklist should be established and used when someone is leaving or terminating his/her contract or mission;

c) A robust monitoring and implementation process is established to ensure that objective setting and performance appraisals are finalised within the official deadlines. Lack of compliance with those deadlines should be escalated until full compliance is achieved;

d) Staff development planned activities are formally established as part of the annual objective setting for international and national staff.

Manager Responsible for the Action: Regional Director and Human Resources Manager

Due Date: July 2016

Priority Rating: High

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

**MENA Regional Office
Audit Report No. IA-2016-01
June 2016**

C2.3   Payroll and remuneration

The audit did not note any reportable issues.

C2.4   Leave management

Staff leave management

Leave request forms have been introduced for National Staff, which are supposed to be filled, validated by HR and approved by the respective line manager, each time the staff goes on leave. However, it was noted the forms are not consistently completed.

Agreed Action 18:

The Regional Office agreed to establish a robust process to ensure that national staff leave request forms are always completed and approved prior to any leave. A similar process is established to ensure International Staff leave requests are processed and approved in HR-Online. A sample testing is performed on a regular basis to ensure data accuracy;

Staff Responsible for the Action: Human Resources Manager

Due Date: July 2016

Priority Rating: Medium

C2.5   Personnel files

Personnel Files for National and International Staff

Complete individual personnel files for both International and National Staff are expected to be kept. However, it was noted that individual files are not kept for International Staff (there is one single file with scattered/ad-hoc information).

Furthermore, a sample test of national staff files noted that in general they are well organised and complete. Nevertheless, a few key documents were noted as missing.

Agreed Action 19:

The Regional Office agreed the followings:

a)   For International Staff, Individual personnel files are established. Such files should be properly indexed and completed with all required information;

b)   For National Staff, files are reviewed to ensure they are completed with missing information.

Staff Responsible for the Action: Human Resources Manager

Due Date: July 2016

Priority Rating: Medium

C2.6   Labour Law, staff regulations and contracting

National Staff Regulations
National Staff Regulations are required to be established using the standard IFRC template and be approved by Geneva Legal and Human Resources departments. However, the staff regulations for Lebanon Regional Office, as well as for other Country Offices in MENA, have not been established.

Contracting
National Staff, when recruited for the first time, are usually provided with a fixed term contract for one year. If extended, the contract will be considered as open-ended. However, no formal letters have been issued to the National Staff to confirm the change in contractual status from Fixed to Open-Ended.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

Consultancies

A sample of consultancy contracts were tested. Since October 2015 the Regional Office is processing all consultancy contracts through the contract lifecycle management database (e-contracts), which includes Geneva approval.

However, the review of consultancy contracts files noted that:

- No documented evidence in the consultancy files that hiring managers for consultants ensured satisfactory completion of work in accordance with the Terms of Reference before payment is made;
- No performance evaluation of the consultants;
- No documentation indicating the reason to hire or to select a particular consultant.

Agreed Action 20:

The Regional Office agreed the followings:

a) The national staff regulations for the MENA Regional Office, as well as other Country Offices in MENA, are finalised and shared with Geneva Human Resources and Legal departments for review and final validation;

b) Any change of contractual status, from fixed-term to open-ended, is acknowledge through a signed letter issued by the MENA Regional Office to the respective staff;

c) Consultancy procedures are strictly followed, namely:

- The selection process is followed (respecting the consultancy procedure established ceilings) and disclosure of potential conflict of interests is documented;
- The consultancy fees paid to consultants are in accordance with section 3.1 of the above mentioned procedures;
- Compliance with the invoice, receipt, review and validation processes, including satisfactory completion of the work and including delivery of a final report;
- A performance assessment of the consultant is conducted upon work completion.

Manager Responsible for the Action: Regional Director and Human Resources Manager

Due Date: July 2016

Priority Rating: High

C3	ADMINISTRATION

C3.1   Administrative policies and procedures

The audit did not note any reportable issues.

C3.2   Other administrative matters

The audit did not note any reportable issues.

C4	ASSET AND INVENTORY

C4.1   Asset/inventory management and safeguarding

The audit did not note any reportable issues.

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

C5	INFORMATION SYSTEMS

C5.1   IT management

Segregation of Duties – IT Officer

The IT Officer is responsible for the IT equipment procurement. Furthermore, he is also responsible for performing the physical verification, inventory and daily management of such IT assets. Thus, physical verification is not performed by someone independent of procurement and day-to-day management of IT assets and stock, resulting in a lack of segregation of duties.

Email deactivation

A number of staff (both national and delegates) who have left the MENA Regional and Country Offices still have active email accounts indicating MENA region as the current location. A review of the email directory has been performed in the past on an ad-hoc basis.

IT inventory disposal

It was noted that a number of inventory items, old servers, and other IT equipment which are unused and kept in stock, are yet to be assessed for disposal.

IT Training

Staff have signed the IT User Policy and they were provided with an IT briefing. However, the IT Officer identified some staff knowledge gaps in terms of IT Security policies/processes as well as IT access, software/hardware connectivity and other related IT issues.

Agreed Action 21:

The Regional Office agreed the following action points:

a)   Procurement of IT equipment and inventory is performed by the procurement/administration unit, with technical input from the IT officer. Once the purchased equipment is processed in CODA (financial system) the CODA document number is provided as a reference to the IT officer, for future reconciliation. The physical verification of IT inventory is performed by someone independent of the day-to-day management of IT assets and stock. Random physical verification on a sample basis is performed on a quarterly basis and a full physical verification is performed annually, with any differences being analysed and reported;

b)   The process of deactivating emails, once a staff has left, is streamlined. Reconciliation between active emails and current staff is performed on a quarterly basis in coordination with the HR manager;

c)   The inventory registers are assessed to determine which items can be disposed. The disposal should include the establishment of a committee to oversee the process with minutes to document the outcome;

d)   A refresher training session for all staff is role out on IT policies, processes, security access, connectivity and any other IT related issues.

Manager Responsible for the Action: IT Senior Officer and Administration Senior Officer

Due Date: July 2016

Priority Rating: Medium

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

MENA Regional Office
Audit Report No. IA-2016-01
June 2016

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 - AUDIT ASSESSMENT LEVELS

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

ANNEX 3 - 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