



International Federation
of Red Cross and Red Crescent Societies

OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS

INTERNAL AUDIT OF THE INDONESIA COUNTRY CLUSTER OFFICE
REPORT NO. IA-2016-14

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PART I INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The Country Cluster Support Team (CCST) and Representation to ASEAN Office (the "Office") of the International Federation of Red Cross and Red Crescent Societies (IFRC) is based in Jakarta. The Office is part of the Asia Pacific Region, and its main objectives is to provide support to Palang Merah Indonesia (PMI) and Timor-Leste Red Cross Society operational and strategic plans.

Due to the Office strategic location in Jakarta, it also serves as the IFRC representative to the Association of Southeast Asian Nations (ASEAN). ASEAN is an organization represented by the leaders of South East Asia Nations with the aim primarily to promote economic growth, social progress, cultural development and regional stability among its ten members. The IFRC aims to further strengthen the strategic relations with ASEAN, and plans are being revised and developed.

During the audit on 7 December 2016, a 6.4 magnitude earthquake struck the North East province of Aceh in Sumatra Island, Indonesia. A Disaster Relief Emergency Fund (DREF) of CHF374,880 was initiated to support immediate household needs, health, water and sanitation as well as shelter assistance for the affected communities. In Timor-Leste, a DREF was launched on 15 April 2016 for CHF215,752, followed by an Emergency Appeal of CHF796,618 seeking to support an estimated 20,000 people affected by drought conditions caused by El Nino. The revised emergency appeal of CHF751,074 was finalised in February 2017.

As at the audit, the Office in Jakarta employed two international staff and twenty national staff. The Office 2016 operational budget for the two countries was CHF5.1Million. The last internal audit of the Office was performed by the Office of Internal Audit and Investigations (OIAI) in May 2011. The current internal audit was performed in December 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 (the process to identify, assess and manage risk), governance and oversight.
- Coordination and organization of work, including communication.
- Legal risk including contracts management, and integration agreements with Partner National Societies.

B) Programme and partnerships management

- Programme management including of Appeals and Disaster Relief Emergency Funds (DREF), and planning, monitoring, evaluation and reporting systems.
- Resource development, including resource mobilization, pledge management, and partnerships.
- Logistics, procurement and fleet management.
- Security management.

C) Operations support

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

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

4. EXECUTIVE SUMMARY

Number of Agreed Action Points by Section/Priority

SECTION	Recommendations		
	High Priority	Medium Priority	Low Priority
OVERSIGHT AND RISK MANAGEMENT	2	3	-
A1 Risk management, oversight and monitoring	-	1	-
A2 Organisation, coordination and communication	-	2	-
A3 Legal and supplementary services	2	-	-
PROGRAMME AND PARTNERSHIP MANAGEMENT	-	4	-
B1 Programming, planning, monitoring, evaluation, and reporting	-	1	-
B2 Resource development and partnership management	-	1	-
B3 Logistics, procurement and fleet	-	2	-
B4 Security	-	-	-
OPERATIONS SUPPORT	1	4	4
C1 Finance	1	2	-
C2 Human resources	-	2	1
C3 Administration	-	-	1
C4 Assets and inventory	-	-	1
C5 Information systems	-	-	1
TOTAL AUDIT RECOMMENDATIONS	3	11	4

Improvement areas

Recommendations which had a primary risk relating to the audit objectives of effectiveness, efficiency, safeguarding of assets, and reporting (see Annex 3) are summarised below.

Audit objectives		High Priority	Medium Priority	Low Priority
a)	Effectiveness	-	2	-
b)	Efficiency	-	4	-
c)	Asset Safeguarding	2	4	-
d)	Reporting	1	1	4
Total		3	11	4

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

Asset Safeguarding

There are two high priority recommendations (#4 and #5) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

- Establish standard IFRC project agreements once the budget and action plans are approved for each project implemented through the National Society. All existing contracts and its status are uploaded into the e-contracts database, and all future agreements/contracts are signed in accordance with the Contracts Approval Matrix (CAM) using the existing e-contracts system. (*Recommendation #4*).
- Verify the IFRC VAT exemption status with the relevant Ministry in consultation with a legal counsel who are knowledgeable of the taxes on international bodies with a legal status in country; and timely follow up on legal status extensions and finalisation of the proposed revision of the legal status. Where there are delays in feedbacks from the proposed revision, escalate (if necessary) to the Legal Counsel in Geneva. (*Recommendation #5*).

Reporting

There is one high priority recommendation (#10) with a primary risk related to reporting. To improve reporting, the office should:

- Implement the agreed working advance system and develop a joint action plan with the National Society to improve working advance reporting. This includes using IFRC procurement standards in all projects funded by the IFRC, and perform a documented assessment of procurement standards in consultation with the Asia Pacific Regional Office Logistic Unit. (*Recommendation #10*)

PART II DETAILED OBSERVATIONS & RECOMMENDATIONS

REPORT NO. IA-2016-14

SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING
<p>A1.1 Risk management</p> <p>The 2016 Indonesia Country Cluster Operational Plan, published on the International Federation website, identified key risks. This included both insufficient funding and major disasters in supported countries as risks with high impacts. A systematic process to identify, assess and manage these risks through a documented risk register and action plans have not yet been established. The lack of a systematic risk management plans could adversely impact the achievement of the CCST objectives.</p>	
<p>Agreed action 1</p> <p>We acknowledged that the Indonesia CCST is taking various risk mitigation efforts in 2017, to reduce the risks identified in their 2016 Operational Plan. The risk mitigation action plans should be documented and followed up on implementation.</p> <p>Manager responsible for the action: Head of Country Cluster Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p>	

A2	ORGANISATION, COORDINATION AND COMMUNICATION
A2.1	<p>Coordination and communication</p> <p><u>Engagement role with ASEAN</u></p> <p>The Indonesia CCST represents the International Federation in the engagement role with the Association of South East Asian Nations (ASEAN). The handover of this role from the Federation South East Asia Regional Office in Bangkok to Indonesia CCST was part of the strategic outcomes from the restructuring process which began in 2015.</p> <p>A Cooperation Framework between the Federation and ASEAN was drafted in 2013, which means that the engagement role expected with ASEAN has not been clarified. A fresh review of the draft Cooperation Framework was performed in 2016, and is now pending feedback from ASEAN member states.</p> <p>The National Societies in South East Asia have also requested a more structured and clear strategy from the Federation in working with ASEAN. A draft Strategic Engagement Plan was developed and shared with the Asia Pacific for review, and it is a working document for final endorsement.</p>
	<p>Agreed action 2</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none"> a) Establish the Cooperation Framework Agreement with ASEAN with consultation with the Asia Pacific Legal Counsel. b) Finalise the Strategic Engagement Plan based on feedback received, and disseminate the outcome with other stakeholders, including leaders of the National Societies in the region. <p>Manager responsible for the action: Head of Country Cluster Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p>
A2.2	<p>Coordination and communication</p> <p><u>Coordination with Partners</u></p> <p>The Movement Coordination Meeting with all Partner National Society (PNS) and Host National Society (HNS) was held in April 2016, in addition to operational and technical working group meetings, which were held on a needs basis, for example, informal meetings or the emergency operations coordination meeting.</p> <p>However, action plans and follow up of the meeting outcomes were not documented. The lack of a concrete outcome from these meetings, could lead to incoherent approaches and missing objectives in terms of PNS and IFRC efforts in supporting NS capacity development and programme activities.</p>
	<p>Agreed action 3</p> <p>The OIAI acknowledged the various meetings that were taking place to help focus areas of the National Societies' leadership and the changing priorities of Red Cross Partners in the country. Strategic discussions in country should be in place and its outcomes documented, to enable all Red Cross partners to reach a common understanding of all current challenges and its impact on the common objectives of the Red Cross Movement in country. Further to this, develop collaborative action plans in supporting the Host National Society.</p> <p>Manager responsible for the action: Head of Country Cluster Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p>

A3	LEGAL AND SUPPLEMENTARY SERVICES
<p>A3.1 Contract management</p> <p><u>Contract approvals and non-standard templates</u></p> <p>The Indonesia CCST started using the e-contracts system in December 2015 to initiate, review and approve contracts. Prior to the implementation of e-contracts, due diligence controls through the manual contract management processes were not fully enforced. The contract approval sign-off cover sheets was not prepared to document relevant technical validations as evidence that documented vetting and due diligence process had been undertaken, in accordance with the Contract Approval Matrix (CAM).</p> <p>Non-standard project agreement terms signed between the Federation and the Indonesia Red Cross National Society (referred to as PMI) in 2015 increased the lack of clarity on whose procurement procedures were to be followed. For example:</p> <ul style="list-style-type: none"> - <i>“Procurement of the Programme Support will comply with the regulations of the NS and/or of the IFRC.”</i> This creates confusion in terms of which procedure to follow. - <i>“If found that the PMI guidelines do not meet the standard of the IFRC, the parties will consult each other to find the solution”. Also, “A tender committee will be established with members from both parties to oversee and ensure compliance with PMI/International Federation procurement procedures.”</i> However, there had been instances of IFRC being consulted after procurement decisions. <p><u>Project agreements with NS</u></p> <ul style="list-style-type: none"> • A separate agreements for each programme, supported by relevant annexes such as the Project Budget(s), and Procedures for Working Advance are not being used. Instead, the current agreement is comprised of four programmes. The lack of individual agreements causes difficulties in terms of programme reporting as each programme has respective budgets and implementation plans. • The draft 2016 project agreement was only submitted for IFRC technical approval in September 2016. During the audit in December 2016, the project agreement was still not endorsed by the National Society, which means programmes for 2016 have been running without a documented project agreement. <p><u>Contract database</u></p> <p>A central contract database and a standard tracking mechanism is not developed to keep oversight of all current agreements and their status, including those active, expired, any extensions, and/or pending approval. Currently the agreements are being managed by the contract initiators who are from different and various units, with no single tracking system.</p>	
<p>Agreed action 4</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none"> a) Establish standard Federation project agreements for each project implemented through the National Society. New project agreements are immediately initiated once the budget and action plans are approved so that the process is not delayed. b) List all existing contracts and their status, and upload these into the e-contracts database. Future agreements/ contracts are signed in accordance with the Contracts Approval Matrix using the existing e-contracts system. <p>Manager responsible for the action: Head of Country Cluster Office</p> <p>Due Date: May 2017</p> <p>Priority Rating: High</p>	

A3.2 Other legal matters

VAT exemption

The Indonesia CCST has been declaring Value Added Tax (VAT) exemption on a regular basis. VAT exemptions are only applicable to purchases of office equipment above CHF200.

Local regulations that support the current VAT requirement were requested by the auditor, but was not able to be provided. The existing VAT practices, which have continued for many years, were not clear as there was no document maintained by CCST to support the basis. Furthermore, the VAT conditions were not mentioned in the existing document of the local legal status of the IFRC.

Legal Status

The legal status granted to the IFRC in 2002 is subject to renewal by submitting written notification to the Indonesian Ministry of Foreign Affairs (MoFA). The CCST was granted a one-year extension of the legal status, ending on 31 December 2016. Meanwhile, parallel discussion is taking place with MoFA for review of certain clauses in the legal status. The draft proposal of the revision has entered its second review with MoFA and is pending their feedback.

The one-year legal status extension was due to expire during the audit in December 2016, but a written notification for extension has not been communicated to the Ministry.

Agreed action 5

The Indonesia CCST agreed to:

- a) Verify the IFRC VAT exemption status with the relevant Ministry, in consultation with a legal counsel who are knowledgeable on the taxes on international bodies with legal status in country.
- b) Timely follow up on legal status extensions and should include further follow up of the proposed revision of the legal status. Where there are delays in feedbacks from the proposed revision, escalate to the Legal Counsel in Geneva if necessary.

Manager responsible for the action: Head of Country Cluster Office

Due Date: May 2017

Priority Rating: High

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING
<p>B1.1 Project management</p> <p><u>Budget holder and programme manager</u></p> <p>The Indonesia CCST receives a portion of funding for Community Resilience Project activities from its budget holder in CCST Bangkok. The multi-year funding was received by the previously known IFRC South East Asia Regional Office in Bangkok for activities in selected regional National Societies.</p> <p>The budget holder authority in CCST Bangkok approves the monthly cash forecast for project activities. The Programme Manager in the Indonesia CCST performs project management oversight, including verification of expenditures. There is no documented project management matrix that clarify the roles, assigned accountability, including a delegation of authority from the off-site budget holder to the manager. Furthermore, there was no evidence that the budget holder in Bangkok had performed periodic checks on critical programme transactions when booked into the accounts.</p>	
<p>Agreed action 6</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none">a) Ensure a delegation of authority with a limited ceiling amount to authorise expenditures is provided to the programme manager in country by the budget holder in Bangkok. This should involve further coordination between the budget holder and relevant manager in these two locations to ensure agreed project objectives and associated risks are sufficiently reviewed.b) The budget holder provides documented review of critical project related transactions monthly, to ensure that activities are being performed per the agreed plans and budget. <p>Manager responsible for the action: Head of Country Cluster Office</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p>	

B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT
<p>B2.1 Resource development</p> <p>The role and responsibilities for resource mobilisation rests with the Head of Indonesia CCST. Efforts are ongoing between Asia Pacific Regional Office and the CCST Office to establish action plans on funding opportunities, strengthening existing partnerships and developing new partnerships.</p> <p>One action plan includes the development of a regional proposal that involves the strengthening of the existing partnership with ECHO by the Asia Pacific Regional Office, linking it with potential projects in ASEAN countries. ECHO in their Humanitarian Implementation Plan 2017, largely focuses on supporting disaster risk reduction activities. At the same time, the Indonesia CCST is leading the draft Strategic Engagement Plan with ASEAN. The regional proposal initiatives require close coordination between the Asia Pacific Regional Office, CCST Bangkok as the Disaster Risk Reduction focal point; and Indonesia CCST as the ASEAN focal point.</p> <p>A document that outlines the roles of Asia Pacific Regional, CCST Bangkok and Indonesia CCST in relation to the regional proposal has yet to be finalised. Furthermore, the memorandum of understanding (MOU) and strategic plans with ASEAN are still in draft and yet to be endorsed. There are risks of the Federation losing opportunities as the preferred working partner if strategies and work plans are not timely finalised.</p>	
<p>Agreed action 7</p> <p>The Indonesia CCST agreed to increase coordination and set a deadline with the Asia Pacific Regional Office to finalise the resource mobilisation structure for outlining the role of the Asia Pacific Regional, Country Offices and Indonesia CCST in relations to regional proposals and working with external partners. The document should be disseminated to stakeholders when finalised.</p> <p>Manager responsible for the action: Director, Asia Pacific Regional Office</p> <p>Due Date: May 2017</p> <p>Priority Rating: Medium</p>	

B3	LOGISTICS, PROCUREMENT AND FLEET
<p>B3.1 Procurement</p> <p><u>Procurement database</u></p> <p>A procurement database exists but is not updated as a complete list of procurement files, impacting the tracking of key dates on completion status, such as date of Logistics Requisition (LR) preparation and processing, issuance of Requests for Quotation (RFQ), receipt of Goods Received Notes (GRN), and/or the invoice received.</p> <p><u>Submission of sealed bids</u></p> <p>In two of the tested samples of procurement above CHF20k, the deadlines for suppliers to submit their bids were too short (1 day). The short time frame, particularly for technical procurements, had impacted the quality of bids received. In one example, a retendering was launched due to suppliers not being able to provide their offers for one of the requested items in time, resulting in a longer lead-time. Furthermore, there was no documented memo from the 'Committee on Contract' members related to the decision to retender. A memo provides transparency on a retendering decision made by the committee members.</p> <p><u>Filing</u></p> <p>A procurement filing system is established; however, the files were not clearly linked to the related requisition number, and checklists were not used to record the completion of documents. There had been cases of misplaced supplier's original quotations and, other documents, such as Goods Received Notes (GRN), were also not on file.</p>	
<p>Agreed action 8</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none"> a) Update the procurement database and monitor Key Performance Indicators (KPIs) reflecting the lead time in processing requisitions, receiving quotes and purchase order issuance. b) Provide a reasonable timeframe for suppliers to respond with bids/quotations. Where necessary, consult the Asia Pacific Regional Logistic Unit for guidance on the procurement process, including the reasonable required timeframe. c) Each procurement file should have a file number with proper indexing. A review checklist for each file is established to ensure the completion of documentation. <p>Manager responsible for the action: Logistics Officer</p> <p>Due Date: June 2017</p> <p>Priority Rating: Medium</p>	
<p>B3.2 Vehicle management (including fuel and maintenance)</p> <p><u>Action plans on vehicle needs assessment</u></p> <p>The two vehicles used by the Indonesia CCST have reached their maximum use of five years. Both vehicles are not registered with diplomatic license plates. The CCST has discussed the plans of disposing the two vehicles, and replacing them with new leased vehicles from the Dubai Global Fleet Base, instead of purchasing locally assembled vehicles. The legal status allows for the IFRC to purchase <u>one</u> locally assembled car with diplomatic license plates, as well as a waiver on custom duties and import sales tax exemptions. This means the CCST has the flexibility of purchasing locally assembled vehicles and/or importing vehicles, as long as the vehicles are within the approved IFRC specification.</p>	

The CCST is still waiting for the feedback on the revised legal status, before executing their plans to import vehicles. IFRC suggested amendments in its final endorsement may take some time. Meanwhile, the two vehicles continue to exceed their maximum use of five years.

Vehicle inspection

As per the International Federation Fleet Manual, drivers are responsible for inspecting vehicles, ensuring that they are in good condition, then completing the vehicle inspection report. These inspections are performed in addition to facilitate the general scheduled maintenance.

The vehicles are in good condition after five years; however, periodic checks on vehicles have not been established, and the standard vehicle inspection checklist is not being used to record the results.

Agreed action 9

The Indonesia CCST agreed to:

- a) Assess the process of obtaining new vehicles, with consideration of the existing legal status. The process of disposals and replacement is performed in consultation with the Global Fleet in Dubai.
- b) Drivers are to check the condition of the vehicle and its equipment using the vehicle inspection report template in the Fleet Manual, on a weekly basis for regular city use. In addition, the Fleet Manager or line manager should randomly perform vehicle inspections to ensure inspections are properly recorded.

Manager responsible for the action: Senior Administration Officer

Due Date: May 2017

Priority Rating: Medium

SECTION C – OPERATIONS SUPPORT

C1	FINANCE
<p>C1.1 Partner working advances and cash transfers</p> <p>The IFRC works in partnership with the National Society (NS) on a working advance system. The system requires an approved project proposal and budget and signed project agreement. The NS submits a Working Advance request to the IFRC Project Manager, and reports the use of funds based on the agreed format and timeline of project agreement.</p> <p>A sample review noted a lack of clarity in relation to the accountability and non-compliances with the working advance system. This included using an alternative method of reimbursement of expenditure:</p> <p>These non-compliances caused further difficulties for project managers in implementing a due diligence of expenditures per the agreed proposal, its budget and project agreement.</p> <p><u>Reporting delays</u></p> <p>Working advance reporting delays have, resulted in significant amounts of working advances reported as outstanding. This further increases foreign exchange risks due to monthly revaluation of long outstanding balances.</p>	
<p>Agreed action 10</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none"> a) The agreed working advance system with the National Society is implemented in all project financing, and reimbursements on project expenditures is ceased. b) A joint action plan is developed between the Indonesia CCST Office and with the National Society to improve working advance reporting, and this includes closer coordination between Finance and Programme Managers. Progress on the action plans is monitored and shared monthly to follow up and reduce long outstanding working advances. c) A documented assessment of the procurement standards should be performed, in consultation with the Asia Pacific Regional Office Logistic Unit. Pending finalisation of the assessment, IFRC procurement standards must be used in all projects funded by the IFRC. <p>Manager responsible for the action: Head of Country Cluster Office</p> <p>Due Date: May 2017</p> <p>Priority Rating: High</p>	
<p>C1.2 Bank management</p> <p>Payment to suppliers are made through internet banking, and for this purpose supplier banking details, such as account number and bank SWIFT code, is required. There was an example of where a bank transfer was not successful due to a supplier not providing their updated banking details. The bank had requested the correct banking details from the Indonesia CCST to complete the bank transfer, with condition that money would be returned if information was not received within two days.</p> <p>There was no documented evidence that the CCST had promptly followed up with supplier for the correct details. The money was returned to the Federation bank account with an incurred foreign exchange loss. The loss was absorbed by the IFRC. The supplier was paid the full invoice amount of to their correct bank account later.</p>	
<p>Agreed action 11</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none"> a) Review supplier information and ensure banking details are correct; records are supported by the appropriate documentation (for example, latest bank statement, business registration) before they are registered. 	

This includes due diligence checks on banking details in the request for payment and matches with banking details registered.

- b) Follow up of banking matters are documented and timely resolved, to avoid financial loss. In future, best endeavours are taken to recover any losses, when the loss was caused by incorrect information, and lack of notification by the supplier.

Manager responsible for the action: Finance Manager

Due Date: June 2017

Priority Rating: Medium

C1.3 Finance supporting documentation

A sample of 40 finance transactions were selected for testing to assess their completeness, accuracy and if adequate supporting documentation was attached to substantiate the transaction. In general, most of the supporting documentation was attached, however, the receipts and invoices were not stamped/cancelled to indicate that payments have been made and to prevent re-submission or re-use.

There were three examples with insufficient documented explanation as evidence of due diligence for working advance transactions. For example, the review of suppliers with similar printed quotation format, and fuel purchases without evidence of independent checks.

Agreed action 12

The Indonesia CCST agreed to CCST Finance Officers validating transactions against complete supporting documentation. This includes documented explanations and notes to file for transactions that require further explanation. The validation process should also include stamping/cancellation of original receipts and invoices, after payment has been made.

Manager responsible for the action: Finance Manager

Due Date: May 2017

Priority Rating: Medium

C2	HUMAN RESOURCES
<p>C2.1 Starters, leavers and performance management</p> <p><u>Induction and handovers</u></p> <p>Briefings for starters are being implemented, however, debriefings and documented handovers are not systematically performed when work responsibilities are reassigned, to ensure that institutional memory and documentation is retained. For example, the role of maintaining the working relationship with the ASEAN Secretariat was reassigned to the CCST office from the IFRC Regional Office in Bangkok during the alignment process in 2016. However, documented handover and scheduled briefings was not performed when the newly recruited staff took over the working relationship with the ASEAN portfolio.</p> <p><u>Leave management</u></p> <ul style="list-style-type: none">• Record maintenance and agreement of the leave of delegates are performed through the electronic HR system, which means leave balances are tracked online. Access to this information is restricted. Delegates' leave were not monitored due to the CCST human resource function not having access to the delegates online leave records. A compensating control such as a tracking sheet for delegates' leave was not in place.• As per the national staff regulation, staff must inform their line managers on the first day of absence in the event of sick leave, and a medical certificate stating the length of absence is applicable for sick leave of two days and more. However, the one-day sick leave was not tracked and recorded, to prevent absentees and unauthorised leave.	
<p>Agreed action 13</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none">a) Reinforce the induction process by implementing a documented, comprehensive and tailored induction programme. This includes coordination with the Human Resource Unit in Asia Pacific Regional, particularly in situations that involved handovers between different IFRC offices. All relevant policies and procedures, such as safe call, child protection policy, and fraud & corruption prevention policy, should be part of the briefing package.b) A HR system is used for monitoring and reconciling leaves for all staff. Leave that Management does not require supporting document such as one-day sick leave are recorded in a leave tracking sheet, and verified by the line manager to ensure accuracy. <p>Manager responsible for the action: Senior Human Resource Officer</p> <p>Due Date: April 2017</p> <p>Priority Rating: Medium</p>	

C2.2 Personnel files

Individual personnel files for both national and international staff are not being maintained. Personnel files are kept in a combined folder which contain files of several staff. The documents are not filed for easy reference and identification on the types of documents and a checklist is not being used to ensure file completion. Moreover, documentation used for the recruitment process, such as the curriculum vitae, were not filed separately.

Agreed action 14

The Human Resource Unit develop a separate filing system for each personnel file, and a file checklist is established to ensure each file contains the required and completed documents.

Manager responsible for the action: Senior Human Resource Officer

Due Date: April 2017

Priority Rating: Low

C2.3 Labour Law, staff regulations and contracting

National Staff Regulations

The Indonesia CCST Office is currently using national staff regulations which were first revised in 2013. However, there are several clauses in the existing national staff regulations which were not relevant to the local context, for example, home leave, unaccompanied baggage, and accommodation allowance.

The Office had included a "work from home" clause in its national staff regulations, when such procedures and relevant processes have not been approved at a global level at the time. Furthermore, the control process on documenting (including approval or tracking days) when staff work from home is not effectively implemented.

The regulation was also not based on the International Federation global template, and this, according to the Office, was a requirement by the local labour law requirement. There is no documentation to evidence that clauses have been adequately reviewed and jointly vetted with the Asia Pacific Regional Human Resource Unit and national labour law experts, to ensure that it is compliant with local labour law and compatible with existing Federation internal guidelines, prior to its dissemination.

Agreed action 15

The Indonesia CCST agreed to review and amend the national staff regulations to ensure consistency and alignment with national labour laws, as well as best practices in human resources procedures. This should be submitted to the human resources function and legal advisor at the Asia Pacific Regional Office for advice and final validation.

Manager responsible for the action: Head of Cluster Office

Due Date: April 2017

Priority Rating: Medium

C3	ADMINISTRATION
<p>C3.1 Administrative policies and procedures</p> <p><u>Administration and procurement support</u></p> <p>The Indonesia CCST Office has designated staff to handle general office administration and local procurements for programmes. This includes, among other activities, coordination with programmes and support to the National Society in hotel bookings, visa arrangements, and transportation for visitors for the meetings held in country. Currently, the CCST Office does not have a system to consolidate meeting calendars for effective and efficient management of the yearly events from various stakeholders. The lack of a systematic plan could negatively impact coordination and quality of administration, as well as procurement support.</p> <p><u>Standardised filing</u></p> <p>A system for filing and archiving in accordance with Federation procedures (Procedure #30 - Standardised filing system for offices in the field) has not yet been established. Sampled files for Administration, Fleet, Procurement and Human Resources were not properly indexed and filed according to its category. There are also older documents which are beyond the retention period and are still being kept in files.</p> <p><u>Security checklist on premises</u></p> <p>The delegates housing and hotels for visitors were inspected by the CCST to assess suitability. However, there is no documented analysis on security aspects of delegate housing which includes fire escape routes, and that fire extinguishers are available and are functioning. The audit noted that the approved hotels have clear fire escape plans, but are potentially exposed to flash floods. Currently, there is inadequate security risk mitigation information on security and evacuation plans of visitors in occurrences of flash floods at the approved hotels.</p>	
<p>Agreed action 16</p> <p>The Indonesia CCST agreed to:</p> <ol style="list-style-type: none"> a) Establish a system to consolidate and map the various meetings and activities from all functions planned throughout the year. The consolidated plans are reviewed monthly to enable proper planning on administrative and procurement support. b) Establish a filing system categorising records by functions, processes and activities. The Secretariat "Standardised filing system for offices in the field - Policies and procedures filing system. Document No.30" should be used as guidance. c) Establish an archiving and filing process to ensure that functions are regularly filed and archived for both hard and soft files. The system should enable file retrieval even when the individual who filed the documents is absent from the office, and facilitate smooth handover. d) Security aspects of delegates' housing and visitors' accommodation are documented in the premise inspection checklist. This includes seeking confirmation with the approved hotels on their security risks mitigation plans. <p>Manager responsible for the action: Senior Administration Officer</p> <p>Due Date: May 2017</p> <p>Priority Rating: Low</p>	

C4	ASSET AND INVENTORY
<p>C4.1 Asset/inventory management and safeguarding</p> <p>The Administration Unit maintains the Office's asset and inventory register; however, asset tagging with unique numbers is not yet completed. The reconciliation of the inventory items has not been performed/validated by someone independent from the person responsible for the inventory.</p>	
<p>Agreed action 17:</p> <p>The asset tagging process is completed and the register is updated with the latest details. A physical inventory check is performed at least twice a year and is signed by two persons as evidence that the register matches the physical assets.</p> <p>Manager responsible for the action: Senior Administration Officer</p> <p>Due Date: June 2017</p> <p>Priority Rating: Low</p>	

C5	INFORMATION SYSTEMS
<p>C5.1 IT management</p> <p><u>Backups and data management</u></p> <p>A shared drive has been set up by the IT staff. Backups are not consistently performed by all staff via/onto the shared drive and are mostly performed for individual laptops. Furthermore, awareness of data security and the data retention policy among staff is relatively low. IT briefings are included during the induction of new staff; however, the briefing does not include information on awareness of data security and data retention policy.</p>	
<p>Agreed action 18</p> <p>The Indonesia CCST agreed to disseminate the IFRC IT procedures to all staff related to backup processes, data security and data retention. These processes should be included in the briefing package given to new staff.</p> <p>Manager responsible for the action: IT Officer</p> <p>Due Date: May 2017</p> <p>Priority Rating: Low</p>	

PART III ANNEXES

ANNEX 1 - RISK RATINGS

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

ANNEX 2 - ABBREVIATIONS

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