



International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**INTERNAL AUDIT OF THE BANGLADESH
COUNTRY OFFICE
REPORT NO. IA-2017-5**

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PART I INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The Bangladesh Country Office (the "Office") of the International Federation of Red Cross and Red Crescent Societies (IFRC) is based in Dhaka and is part of the Asia Pacific Region. The Office main objectives to provide support to Bangladesh operational plans and emergency appeals.

The Bangladesh Operational Plan for 2017 focus areas are budgeted for CHF CHF2.67 Million. The country is facing yearly occurrences of natural disaster of floods and cyclones. At the time of this audit in July 2017, there are a few ongoing emergency appeals, namely Floods (budget CHF 1.637 Million), Population Movement (budget CHF 3.26 Million), and the recently launched Cyclone Mora (budget CHF 1.29 Million). Another emergency appeal Cyclone Roanu (budgeted CHF 2.03 Million) was closed in March, pending a final evaluation.

At the time of the audit in July 2017, the Office employed three international staff (including one international staff in Cox Bazar supporting the National Society for Population Movement operations), and twenty-seven national staff. The last internal audit of the Office was performed by the Office of Internal Audit and Investigations (OIAI) in August 2011.

2. OBJECTIVE OF THE AUDIT

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

This is achieved by focusing on the following:

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

3. SCOPE AND METHODOLOGY

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

A) *Oversight and Risk management*

- Risk management (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.

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

4.1 Conclusion and Summary of recommendations

Conclusion:

Based on the audit work performed, the OIAI overall assessment of the internal controls environment is that some 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.

The recommendations by section including the priority levels are summarized below:

SECTION	Recommendations			Overall Assessment
	High Priority	Medium Priority	Low Priority	
OVERSIGHT AND RISK MANAGEMENT	1	4	-	Adequate
A1 Risk management, oversight and monitoring	-	1	-	
A2 Organisation, coordination and communication	-	2	-	
A3 Legal and supplementary services	1	1	-	
PROGRAMME AND PARTNERSHIP MANAGEMENT	-	4	-	Adequate
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	5	2	Adequate
C1 Finance	-	3	-	
C2 Human resources	1	1	1	
C3 Administration	-	1	-	
C4 Assets and inventory	-	-	1	
C5 Information systems	-	-	-	
TOTAL AUDIT RECOMMENDATIONS	2	13	2	Adequate

4.2 Summary of key findings

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

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

Efficiency

There is one high priority recommendation (#15) with a primary risk related to efficiency. To improve efficiency, the office should:

- Develop a plan of action on the right-sizing of the office structure based on realistic plans and clear funding strategy. This includes having a formal and timely communication to keep staff informed on the right-sizing process, and statuses of staff contracts.
- Finalise the national staff regulation and salary revisions with technical consultation from the legal advisor and Human Resources Unit, Asia Pacific Regional. Overtime records are validated by the Human Resources against supporting documentation (i.e duty driver/overtime records verified by the staff line manager), prior to it being process by Finance.

Asset Safeguarding

There is one high priority recommendation (#5) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

- Develop a management note with background information and escalate for consultation to the IFRC legal counsel. Should permission to import vehicle not obtained soon, a plan of action is developed on having vehicle services available to the Office and integrated PNS.

PART II DETAILED OBSERVATIONS & RECOMMENDATIONS

REPORT NO. IA-2017-5

SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING
<p>A1.1 Risk management</p> <p>The 2017 Country Office Operational Plan, published in the IFRC website, has identified several key risks which included the frequent position changes of key staff in the National Society (NS) and lack of coordination with Movement Partners. However, a systematic process to identify, assess and manage these risks through a documented risk assessment, as well as the development of a risk register with action plans, have not yet been established. The lack of systematic risk management processes could negatively impact the achievement of the IFRC Country objectives.</p> <p>Risk(s): Ineffectiveness; Partnerships/ reputation Cause(s): Resources/capacity; Oversight/Guidance.</p>	
<p>Recommendation 1:</p> <p>Implement systematic risk management processes, including a risk register to ensure that risks are adequately identified, assessed and mitigated through a documented action plan. The risk register should assign risk owners that will be responsible for implementing action plans within the established timeframes, and review on a regular basis (preferably on a quarterly or at least on a six-monthly basis).</p> <p>Management Action Plan:</p> <p>The risks as outlined in the 2017 Country Operational Plan does not relate to lack of coordination with Movement partners but rather the lack of coordination between the partners themselves in relation to their projects. The Country Office shall: -</p> <ol style="list-style-type: none"> a) Hold meeting before year end with the NS to ensure regular update and mapping of Movement Partner programmes in Bangladesh as well as intended interventions for 2018. b) Perform continuous advocacy with the NS Governance and Management on the risks of frequent changes of staff at National Society Headquarter. 	
<p>Risk Owner: Head of Country Office Due Date: December 2017 Priority Rating: Medium</p>	

A2	ORGANISATION, COORDINATION AND COMMUNICATION
<p>A2.1 Organisation</p> <p>The organigram of the Country Office was developed in consultation with various technical units in Country and was approved by the Asia Pacific Regional Office in February 2017. It was established after assessment of available funding and types of support needs of the National Society and Integrated Partner National Societies in country. The Country Office budgeted CHF3.4 Million to support the estimated headcount of 31 staff in 2017. Eight of the national staff are being supported by Shared Office Support Cost, while the remaining are through programme funding.</p> <p>At that time when it was approved, the Office did not have a Programme Coordinator designated for the Population Movement operations. The managerial oversight and budget holder authority of all three ongoing Operations (i.e Population Movement, Cyclone Roanu and Floods) was being handled by the Senior Manager (Response), who oversees, on top of that, the Organisational Development function. It was only in June 2017 that the managerial oversight and budget holder authority was handed over to the newly recruited Programme Coordinator.</p>	

Other than the merged functions of (i) Response and Organisational Development, other managers with two merged portfolios in the approved organigram is identified (ii) Resilience and PRD (iii) PMER & Communications and (iv) IT and Security. The handling of two technical roles by one staff, particularly when the additional roles is new for which the staff has limited technical experience, could have a negative impact on individual staff objectives, and quality of support to various stakeholders. Further, the employment contract for the Health & Care Manager was not extended, and the portfolio was handed over to the WASH Manager.

Funding constraints was identified as the underlying factor leading to staff handling two technical functions and limit extending staff contracts. In the long term, this could adversely impact the Country Office's role in supporting the National Societies' long-term activities, ongoing emergency operations as well as to staff own individual career objectives.

Risk (s): Ineffectiveness: Inefficiency: Partnership/Reputation.

Cause(s): Resources/capacity

Recommendation 2:

- a) Coordinate with Asia Pacific Human Resources Unit for staff technical training especially in portfolio where the staff is lacking in experience, reasonable objectives setting, and potential new recruitment in areas where technical resources gap is identified.
- b) Perform an updated review on the current organisational structure including budget estimates and analysis of administration vs programme and operational cost. The review should encompass all departments and the logic behind budget allocation for each department is documented to ensure that it is reflective of current and potential funding. The review should also consider streamlining job descriptions at all levels.

Management Action Plan:

There is no evidence to indicate that the combination of roles (set up and agreed prior to current management) which contributes to matrix working and efficiencies has gaps in effectiveness. Part of the problem is that Appeals are not well marketed which makes project start-ups much more challenging. As understood, this is not just an issue in Bangladesh but also at the regional and global level.

The office has a matrix working approach and while it may be one person holding the disasters management portfolio, the work is not performed by one person alone but by a supporting team with responsibilities, as well with Management direction and inputs. The overall design, coordination, operation of the projects is shared with the National Society who takes on the implementation.

Management agrees with the recommendation, and shall take the necessary steps to ensure that: -

- a) The Human Resource in country office will link with the HR in Regional office, to activate trainings as identified in the annual performance review of staff.
- b) Analysis reports of administration versus programme and operational costs will be performed on a 6-month basis by Finance with the inputs from all Budget Holders.

Risk Owner: Head of Country Office

Due Date: December 2017

Priority Rating: Medium

A2.2 Coordination and communication

Coordination between Movement Partners

The Host National Society(HNS) shared a proposed organigram for Population Movement Emergency Operations to the IFRC and all in-country Movement Partners. The proposal include recruitment of 8 technical national staff by the IFRC as embedded staff with the HNS. Proposed funding for these technical staff is shared between the IFRC Emergency Appeal and bilateral support through Partner National Society (PNS). The integrated approach referred to as the One-Window set-up is aimed towards coordinating technical and funding resources between all Movement Partners, and streamline support to the BDRCS in the Population Movement operations.

During our discussions, a formal consolidated documented feedback from the Movement Partners has yet to be established by the HNS. The auditor has been informed that the Country Office have proceeded with the job descriptions and advertisement for recruitment of the Finance position. However, this process was not supported by a proper staff request and approved budgets. Currently, all formal recruitments for the proposed 8 positions are being put on hold. It was observed that there is lack of clarity that need to be address, which includes: -

- Line management and appraisal for these 8-technical staff,
- Funding of these 8 positions whether it is budgeted in the Emergency Appeal or agreed bilaterally through the Partners
- The impact of these new recruitment has on the NS capacity development plans,
- Streamline on the monitoring, reporting tools used by different partners under this One Window approach.

It was acknowledged that the Country Office has started and shared a draft concept paper on the HNS One Window approach with the technical units in the Asia Pacific Regional Office for feedback. As at audit date, a revised concept paper is still in the drafting stages, and have yet to be shared with the Asia Pacific Regional Office. It was also not clear at this stage, whether this concept paper once finalised are to be discussed with the HNS, as the lead in this proposal.

National Society capacity development

The national society development portfolio is being handled by a Manager (job title Manager, Organizational Development, Response and Recovery) who is also the budget holder and manages several emergency operations for the Country Office. The national society development objectives are also included in the manager's yearly performance objectives. However, progress from the capacity development initiatives are impacted due to focus are being directed towards managing the emergency operations. As at audit date, the Country Office has no plans to separate this portfolio as funding is limited for recruitment.

Risk(s): Partnership/Reputation; Ineffectiveness.

Cause(s): Resources/Capacity; Oversight/guidance.

Recommendation 3:

- a) Finalise the concept paper with support from the HNS as the lead in this process. Further, a decision paper is established based on the consolidated feedback from the various stakeholder and documented risk analysis.
- b) Review the action plans for National Society capacity development initiatives with the HNS. Assess the possibility of separating the national society capacity development portfolio from the person handling operations, and this includes fund raising for that portfolio.

Management Action Plan:

- a) The One Window approach concept will require more consultation with HNS, Movement partners and APRO management before finalisation. The deadline may be set at March 2018 recognising the current workload and time needed for the consultation process.
- b) Separation of duties shall be considered when the quantum of programming and operations exceed the current threshold. The current matrix teamwork approach between Response/Recovery and OD is maintained to ensure synchrony, synergy with learning, knowledge and cooperation rather than functioning as two separate conventional departments.

Risk Owner: Senior Organisational Development, Response and Recovery

Due Date: March 2018 **Priority Rating:** Medium

A3	LEGAL AND SUPPLEMENTARY SERVICES
<p>A3.1 Contract management</p> <p><u>Programme agreement template</u></p> <p>The IFRC project agreements with its standard terms and conditions, budgets template, etc., was effective since 2015. However, project agreements signed between the IFRC and National Society in 2016 were still using the non-standard project agreement terms. The contracts were established outside the e-contract system and were not sent to the Asia Pacific Legal Counsel for technical review. It was only recently in 2017 that the Country Office started using the e-contract system for its project agreements with the National Society.</p> <p><u>Contractual Liability</u></p> <p>A payment of CHF2,681 was made to an international service provider by the Country Office, after receiving a formal request from the National Society. The payment was not supported by the service contract to further confirm the validity for such payment. A copy of the contract was provided after being requested by the auditor.</p> <p>The contract was signed in 2013 between the National Society and the international service provider in 2013 and expires in April 2014. The NS is clearly mentioned as “the Payer and Client” of this contract, therefore is legally responsible for making payments to the supplier. However, the IFRC who is not the contracting party has been making payments on NS behalf.</p> <p>The auditor was informed that such payments was made due to the NS has restrictions in executing international payments, and internal approval for payments are lengthy. The NS, being a resident of Bangladesh has limitations in performing foreign exchange transactions as compared to the IFRC, that has been given the privilege to transfer funds in any currency as articulated in the legal status.</p> <p>Further review noted that the services has a 3 years’ defect warranty period which ends in April 2017, and a 10% retention sum of USD5,037.80 (contract value USD50,378) is being retained to cover the defect liability period. It was not clear the purpose of this payment made in December 2016, as it was made before the end of the warranty period.</p> <p>Risk(s): Legal liabilities; Asset/financial loss. Cause(s): Compliance; Procedures/guidelines.</p>	
<p>Recommendation 4:</p> <ul style="list-style-type: none"> a) Review the existing non-standard project agreements, in consultation with the Asia Pacific Legal Counsel to ensure project agreements are adequately supported with the standard IFRC terms and conditions. Assess the possibility for amendments if the terms and conditions is inadequate to address legal risks. b) Payments either in local or foreign currency should only be performed when IFRC is the designated Payer. c) Perform a joint review with NS on their internal banking approval process, as part of National Society Development initiatives. This includes identify measures that allow NS to perform foreign exchange transfer. <p>Management Action Plan:</p> <p>Management agrees with the recommendations.</p> <p>Risk Owner: Senior Finance Manager Due Date: December 2017 Priority Rating: Medium</p>	

A3.2 Other legal matters

Legal Status

The IFRC legal status agreement with the Ministry of Foreign Affairs (MoFA), Government of People's Republic of Bangladesh was signed in August 2003. Under the articles of the legal status, the IFRC is exempted from import tariffs on goods for official use and relief operations. This includes tax exemption on imported vehicles under Vehicle Rental Program from Dubai Global Fleet-base. These exemptions are being extended to all fully integrated Partner National Society with the IFRC in Bangladesh.

In July 2016, the Country Office was informed that the Government had restricted import permission on imported vehicles. The restrictions apply to all international humanitarian actors in country, due to a non-compliance on sales of import tax exempted goods by another international agency. The information came to the knowledge of the Country Office, when an imported vehicle requested by a fully integrated PNS is being detained from release by the Customs.

The Office with the advice from MoFA, had explained to the National Board of Revenue(NBR) on IFRC exemption for tax free import, based on its legal status. The communication was aimed for permission on the release of the sanction, but it was to no avail. As at audit date, restrictions to import vehicles still applies to the Office and integrated PNS.

Risk(s): Legal liabilities; Asset/financial loss.

Cause(s): Compliance; Procedures/guidelines.

Recommendation 5:

Develop a management note with background information and escalate for consultation to the IFRC legal counsel. Should permission to import vehicle not obtained soon, a plan of action is developed on having vehicle services available to the Office and integrated PNS.

Management Action Plan:

A management note will be developed for consultation with IFRC Legal counsel. A subsequent plan of action will be developed for having vehicle services to the Office and integrated PNSs in-country.

Risk Owner: Head of Country Office

Due Date: November 2017

Priority Rating: High

B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT
B2.1 Resource development	
<p><u>Resource Mobilisation Plan</u></p> <p>The multiple emergency appeals launched for the Country are underfunded with low funding coverage of 50% and below. The Cyclone Roanu emergency appeal funding coverage was at 47% (from the approved budget of CHF2.03 million) when it was closed in March 2017. In July 2017, other ongoing appeals have been revised and still underfunded are: -</p> <ul style="list-style-type: none"> - Bangladesh Population Movement (MDRBD 018) budget was revised to CHF3.2 Million, funding coverage CHF1.2 Million (38%) - Bangladesh Floods (MDRBD017) was revised to CHF1.6 Million, funding coverage CHF826 K (50%). - Most recently launched Cyclone Mora (MDRBD019) CHF 504K funding coverage (40%). - Country Office 2017 operational budget funding was revised to CHF 3.2 million, with funding coverage of 50%. <p>As part of the resource mobilisation efforts, the Senior Manager for Resilience, Partnerships and Resource Development (PRD) have been coordinating with the PRD Unit in Asia Pacific Regional in contacting potential donors and developing proposals to obtain funding. PRD Asia Pacific is sharing other funding opportunities and call for proposal with the Country Office as and when the information is available.</p> <p>Currently, potential donors are limited to institutional Red Cross Movement partners, which has been approached for funding of multiple appeals. A manual spreadsheet was developed to track fundraising progress from the institutional donors. However, this spreadsheet is limited in capturing call for proposal opportunities from other potential donors, including tracking its status i.e. when the call of proposal received, proposal writing started, review process, submitted etc.</p> <p>There had been situation of a proposal for funding was developed within a short time frame, without AP Regional PRD and PMER Unit for technical input and quality review. The lack of timely and coordinated technical support prior to approaching potential donors may result in funding opportunities not being fully explored.</p> <p><u>Funding plan structure</u></p> <p>The costs for programme are depended on specific donor pledges and un-earmarked funds, rather than having a specific and well established resource mobilisation plan, and this has resulted in challenges in obtaining adequate and sustainable funding. For example, funding for Health & CARE programme (PBD006) under the country operational plan was limited to CHF16K, without other potential funding. Organisational Development is also working under limited funding of CHF51K for 2017, which limits the quality of support to national societies development plans.</p> <p>Risk(s): Partnership/Reputation; Ineffectiveness Cause(s): Resources/Capacity</p>	
Recommendation 7:	
<p>a) A consolidated resource mobilisation plan is established by merging the existing funding plan with the funding proposals tracking sheet, and ensuring all soft pledges are registered. The consolidated plan should be used by the programme managers and finance team to highlight existing funding gaps, develop action plans to address these gaps, and be regularly updated (e.g. monthly).</p> <p>b) Technical/quality review of proposals is performed by the PMER officer. Sufficient time to perform such reviews should be planned. An internal technical/quality review standard operation procedure should be established to ensure there is a common understanding of the scope and objectives of such reviews.</p>	

Management Action Plan:

The Management have reservations on these recommendations, as these will not address the issue of underfunding. The institution needs to have more strategic and pro-active marketing of plans and as the auditor has implicated, external potential funding beyond Movement partners need to be explored and realised. APRO PRD maintains funding table for all emergency appeal which shows both hard and soft pledges and gaps. That can be modified to track the funding gap for country/operational plan.

OIAI comments:

The Country Office, as part of the institution, should review the recommendations with the AP Regional Partnerships and Resource Development (PRD) and jointly develop a risk mitigation action plans to address the low funding coverage issues.

Risk Owner: Senior Manager, Resilience and Partnerships and Resource Development

Due Date: November 2017

Priority Rating: Medium

B3

LOGISTICS, PROCUREMENT AND FLEET

B3.1 Procurement

The IFRC procurement procedures states that when a Request for Quotation (RFQ) is prepared, goods specification should be included in the request, but the RFQ should not make any references to any specific brand names, which could reduce IFRC potential in getting value for money from other competing products and brands. In one of the procurement for programmes, there was an example of procurement of televisions had included preference for specific brand name. Per pre-approval note to file, the National Society prefers this specific brand based on their previous experiences and due to this brand is commonly used locally. However, there is no documented comparative analysis with similar specification for other brand names, to further justify the reasons for this preference.

Risk(s): Fraud/misuse; Asset/financial loss.

Cause(s): Compliance; Oversight/guidance.

Recommendation 8:

Perform documented comparative analysis based on a generic specification without making any brand preference. Goods specifications should be anonymous without making any references to any supplier and brand names that could distort objectivity in decision making.

Management Action Plan:

Where brands need to be mentioned it will be in accordance with the procurement procedures such as "Brand X or approved equivalent".

Risk Owner: Senior Logistics Officer

Due Date: November 2017

Priority Rating: Medium

B3.2 Vehicle management (including fuel and maintenance)

The Country Office has been facing restrictions to import vehicles since July 2016 (refer section on Legal). There are currently 11 vehicles including 5 that are being used by the PNS. 8 of these vehicles have reached their maximum use of 5 years. Due to current import restrictions, contracts for these vehicles were extended and are allowed for use for a short time frame.

The Office together with Dubai Fleet base have discussed the option of having a locally rental vehicle as a temporary measure to meet vehicle needs in country. However, this option should be temporary while other efforts, including

high level discussions with the Ministries on lifting of the import restrictions is taking place. As at audit date, selection for a local rental vehicle company is yet to be finalise.

Risk(s): Inefficiency; Ineffectiveness.

Cause(s): Compliance; Oversight/guidance.

Recommendation 9:

Assess the number of vehicles required by the Country Office and integrated PNS, and further develop an action plan in consultation with the Global Fleet Base in Dubai. This includes communication to all integrated PNS that options for locally rental vehicle should be made through the Country Office to ensure standards are not compromised. Meanwhile, the Country office with support from IFRC legal counsel should continue the dialogue on the release of sanction so that the privileges in the legal status agreement can be utilise.

Management Action Plan:

The Country Office is working on a plan to have a liaison person who could coordinate high level discussions with the government, in obtaining the Statutory regulatory orders (SRO), and potentially solve the vehicle importation issues.

Risk Owner: Senior Logistics Officer

Due Date: October 2017

Priority Rating: Medium

SECTION C – OPERATIONS SUPPORT

C1	FINANCE
C1.1 Partner working advances and cash transfers	
<u>Procurement standards</u>	
<p>The IFRC works in partnership with the National Society on a working advance system. A sample review of the National Society working advance documents, noted examples of IFRC personnel is not being included as a joint tender committee for procurement above CHF20,000. The procurement documents such as, Competitive Bid Analysis (CBA), Goods Receive Notes (GRN) were found to be incomplete.</p>	
<u>Bank Accounts Management</u>	
<p>All cash requests for working advances are transferred in CHF from the IFRC Standard Chartered Bank (SCB) account to the NS local currency bank account with a local bank (Sonali Bank). On average, foreign cash remittances between these banks is completed in 3 to 4 days.</p> <p>There had been situations of cash transfers clearance taking up to 7 days, causing the NS not having sufficient cash within the timeframe for their operations. We have been informed that immediate tracking on status of fund remittance could not take place immediately due to the difference in internal banking systems between the two commercial banks.</p> <p>The Country Office is liaising with the NS to open a SCB account, in efforts to improve the monitoring and immediate tracking of the funds. However, this may not significantly reduce the lead time for the funds availability in the NS accounts, if not supported by timely planning i.e. cash needs matches with timeframe for planned activities.</p>	
Risk(s): Ineffectiveness; Inefficiency.	
Cause(s): Oversight/guidance; Procedures/guidelines.	
Recommendation 10:	
<ul style="list-style-type: none"> a) Include IFRC technical staff in the committee of contract as quality control assurance that IFRC procurement procedures are in place and meet required standards. b) The volume and timing of cash request by the National Society is reviewed in consultation with IFRC Program Managers and IFRC Finance Unit to assess the lead time of having cash in time for operational needs. c) Assess the possibility and expedite the process for the NS to open an account with the local SCB branch. 	
Management Action Plan:	
Management agrees with the recommendations.	
Risk Owner: Senior Finance Manager. Due Date: November 2017 Priority Rating: Medium	
C1.2 Cash management	
<p>The standard IFRC cash forecast forms are being used to estimate level of cash needs for the Office. The cash forecast forms are being prepared by the budget holders and validated by the Finance Unit before the monthly account closing. The Finance Unit, when validating ensures that the forecasted amount is within the available project funding and for planned activities.</p> <p>There is a common understanding in the Country Office, that forecast for an activity is presented only once. In situations if the activity could not be implemented and the cash is not spent in the month it was forecasted, there is no need to forecast for the same activity in the following months. Further, there is low understanding that the Country</p>	

Office should also include in their forecast, any relevant expenses that will be paid by project managers in other IFRC location.

Our review noted that cash forecasting process are not always effectively performed. Between July 2016 to April 2017, the Country Office had been coordinating with Dubai Global Fleet Base (GFB) and local authorities for a VRP which was being detained from release by the local Government. The cost of demurrage charges and port storage charges of the detained vehicle is increasing each month. The auditor was informed that due to the uncertainty of when the vehicle can be released by the Government, the Country Office was facing difficulties to estimate the cost of the port and demurrage charges.

However, a review of the files noted that in January 2017, Global Fleet Base (GFB) had advised the cost of port and demurrage charges until 20th January and the daily rates. The GFB further agreed to cover customs clearance costs for re-export of the vehicle, including the sea freight costs to and from Bangladesh. The information provided herein should be used as basis for cost estimations and be monitored monthly until the release of the vehicle. Accordingly, a documented cash forecast should already be submitted to Finance monthly to allow sufficient cash in Office to prepare when actual payments (on port, demurrage, freight charges etc) are made.

Our review noted a one-time cash forecast of CHF10,000 was made on the same month when the vehicle was released, instead of forecasting it in the months prior. The lack of proper forecasting led to insufficient cash to make payment for the immediate release of the vehicle. Due to this, the Country Office had decided to borrow an amount of CHF10,079 (~ BDT 800,000) from the Country Office staff association bank accounts, which are being locally managed by a committee of staff members.

It was acknowledged that it was a one-time occurrence and the amount borrowed had been paid to the staff association accounts, however the underestimation of cash had compromised the Office operational needs.

Risk(s): Inefficiency; Ineffectiveness.

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

Recommendation 11:

- a) The IFRC Budget Holder or someone with authorized delegated authority should prepare the cash forecast based on agreed plans, activities and other expected cash flows in the next 2 calendar months. Cash needs for these activities should be included in the forecast until the activities are finalised and its related expenditures are accounted in books.
- b) The budget holder should include in their forecast any relevant expenditures that has been agreed to be paid by budget holder located in other IFRC offices. A formal email authorisation from the budget holder at this other location is attached with the forecast form.
- c) The Finance Unit when perform due diligence checks should take into consideration other known events that involve future cash payments, and advise the budget holders to include the expected cash flows in their forecast.
- d) A refresher on cash forecasting process, including updates on finance procedures is conducted by the Finance Unit to all staff.

Management Action Plan:

Management agrees with the recommendations.

A Program Manager Financial Management training is planned sometime between November to December 2017, which includes discussions of the issues and to further develop an agreed plan of action. The Finance Unit is to get involved in the program planning process.

Risk Owner: Senior Finance Manager & all budget holders

Due Date: November 2017

Priority Rating: Medium

<p>C1.3 Finance supporting documentation</p> <p>A sample of finance transactions were selected for testing to assess its completeness, accuracy and if adequate supporting documentation was attached to substantiate the transaction. Our review noted on the following:</p> <ul style="list-style-type: none"> • In general, receipts and invoices were not stamped/cancelled to indicate that payments have been made and to prevent re-use. • There were a few examples of incomplete supporting documentation on file (e.g. contracts, receipts, correspondences not attached), increasing the risks of validation performed without substantiated information. • Supporting documents for national society working advances are mostly in local language. However, brief translation of the document is not consistently being performed across different projects. • Staff medical expenditures incurred in 2016 were being processed and reimbursed to staff 7 months later in May 2017. It has been a practice for staff to accumulate medical expenditure receipts which are usually of small amount, and submit for reimbursement to Finance for a lump sum payment. <p>Risk(s): Asset/financial loss; Fraud/misuse. Cause(s): Oversight/guidance; Procedures/guidelines.</p>
<p>Recommendation 12:</p> <p>a) Develop a checklist for programme managers and Country Office finance staff to help them to review the quality and validation of documents. The checklist should include brief translations of documents, completion of procurement documents, proof of payment, distribution lists and documented explanations/note to file for transactions that require further explanation.</p> <p>b) As best practice, services or goods that has been received and invoiced should be expensed immediately. Depending on the materiality of the amount, the expenditure may need to be accrue if it is not paid at the end of the accounting period. The Finance Manager should send a reminder to all staff to submit any outstanding invoices that have been received within the fiscal year before closing of the year end accounts.</p> <p>Management Action Plan: Management agrees with the recommendations.</p> <p>Risk Owner: Senior Finance Manager Due Date: November 2017 Priority Rating: Medium</p>

C2	HUMAN RESOURCES
<p>C2.1 Starters, leavers and performance management</p> <p><u>Baggage allowance</u></p> <p>A review of the Balance Sheet noted an amount of CHF930.48 that had remained dormant for more than 6 months. The amount is related to staff baggage allowance and its logistics costs of HoCO personal belongings during his previous end of mission in MENA Region.</p> <p>The HoCo had written to Human Resource Unit in Geneva in March 2017, to resolve the disputed amount and seek clarifications on the corresponding staff regulations. However, as at audit date there had been no further communication and the issue remains unresolved.</p> <p>Risk(s): Inefficiency; Ineffectiveness Cause(s): Procedures/Guidelines; Compliance; Organisational culture</p>	

Recommendation 13:

Develop a proper Management Note with background information to the Human Resource in Geneva to have the matter resolved.

Management Action Plan:

The full notes with explanation have been formally provided and documented by electronic mails since last year and the early part of this year. It now needs response from the Human Resources in Geneva based on the Staff Regulations, particularly on Clause 8.10.2 in conjunction with Clause 8.10.4.

Risk Owner: Head of Country Office

Due Date: September 2017

Priority Rating: Medium

C2.2 Personnel files

A sample review of the filing system in the office showed examples of Human Resource files with sensitive staff information such as contracts, performance appraisals were not placed in locked compartment, that should restrict unauthorised access.

Risk(s): Security/safety; Inaccurate/late reporting

Cause(s): Compliance; Procedures/Guidelines.

Recommendation 14:

Establish a filing process to ensure that all files containing sensitive information are protected from unauthorised access.

Management Action Plan:

Management agrees with the recommendation. The Human Resource files will be placed in locked file cabinets.

Risk Owner: Human Resource and Administration Manager

Due Date: December 2017

Priority Rating: Low

C2.3 Labour Law, staff regulations and contracting

National Staff Regulations

The Office national staff are following the staff regulations that has not been updated since 2009. The process of revising the staff regulations and consultations with the local legal advisor started in the first quarter of 2015. However, the revised draft using the IFRC standard template was only shared with the Human Resource Unit, Asia Pacific Regional in December 2016. At the time of audit in July 2017, the draft has yet to be finalised and approved.

Salary scale

The Office salary scale for national staff was effective from February 2017. However, there is no documented evidence that the IFRC salary scale underwent a documented review process, benchmarking and/or enrolled in technical consultation with the Asia Pacific Regional Human Resource.

Overtime

A sample review of driver's overtime claim sheet showed that that Human Resources did not verify the details, which could increase the risks of inaccurate information not being timely detected.

Staff Contract

In the decision paper on Country Office headcount for 2017, it has been highlighted that programme staff contracts are dependent on program funding, and extensions shall be considered accordingly based on updated funding status.

- i) A review of the Country Office headcount noted that at the start of 2017, ten of the programme staff were issued with 6 to 7 months short term contracts, which means the contracts are ending in June and July. However, decisions for a further contract extension until September 2017 of these staff took place only in June 2017. This means communication to the affected staff on their contract status were performed within a limited timeframe of 1-2 months.
- ii) In one example, contract for a programme manager was confirmed to expire at 30 April 2017 due to funding restriction. However, communications on the non-extension of contract was performed with the staff verbally and not through a formal communication from the Human Resource.

Our review noted that the staff had formally submitted a letter of resignation from his position on 2 April, which was duly accepted by Human Resources. However, the contract was further extended for another 1 month on the final day (i.e 30 April) when the staff was supposed to end his contract. We noted that decisions to extend the contract took place between 2-3 days prior the contract supposed to end. Further, communication on the end of contract of the programme manager was not shared with the technical line manager in Asia Pacific Region, resulting to lack of proper de-briefing and hand over.

The lack of a clear and timely communication in relations to the country office strategic plans of its structure, and status on staff contracts extensions increases staff concerns on job security, with limited time for them to act based on informed decisions to seek for other job opportunities.

Risk(s): Inefficiency; Legal Liabilities.

Cause(s): Procedures/Guidelines; Compliance; Oversight/Guidance

Recommendation 15:

- a) Management decisions involving national staff regulations and salary revisions are supported by a consultative process and such decisions are documented. The technical consultation with legal advisor and Human Resources Unit, Asia Pacific Regional is followed up to expedite the finalisation of the national staff regulation.
- b) Overtime records are validated by the Human Resources against supporting documentation (i.e duty driver/overtime records verified by the staff line manager), prior to it being process by Finance.
- c) Develop a plan of action between the Country Office and Asia Pacific Regional and this includes right sizing the Country Office structure based on realistic plans, and reinforce it with a clear funding strategy.
- d) Develop a formal communication platform to keep staff and technical line managers in Asia Pacific Regional Office informed on the right-sizing process, and statuses of staff contracts. This include timely communication on contract extensions (or non-extension) to the staff.

Management Action Plan:

Management agrees with the recommendations.

Risk Owner: Human Resource and Administration Manager

Due Date: October 2017

Priority Rating: High

C3	ADMINISTRATION
C3.1 Administrative policies and procedures	
<u>Administration guidelines</u>	
<p>The Country Office Administration Unit has not yet developed a comprehensive local administration manual that should provide guidance in relation to services such as visa arrangements, travel support, delegate housing to the Country Office and integrated PNS. The audit noted on examples of requests for visa applications for international travel could not be processed on time as requestors were not sufficiently informed on the lead days for visa applications of various countries.</p>	
Risk(s): Inefficiency; Ineffectiveness	
Cause(s): Oversight/guidelines.	
Recommendation 16:	
<p>a) Establish a local administration manual/procedures, in consultation with the administration function in the Asia Pacific Regional office. The finalized manual should be communicated to all staff of the Country Office and integrated PNS.</p> <p>b) Develop a checklist to ensure that all conditions and procedures established in the IFRC Staff Policy and Housing guidelines are being followed.</p>	
Management Action Plan:	
Management agrees with the recommendations.	
Risk Owner: Senior Administration Officer and Human Resource and Administration Manager	
Due Date: October 2017 Priority Rating: Medium	

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 numbers are yet to be completed. Furthermore, the reconciliation of the inventory has not been performed/validated by someone independent from the person responsible for the inventory.</p> <p>Risk(s): Asset/financial loss; Inaccurate/late reporting.</p> <p>Cause(s): Oversight/guidelines.</p>	
<p>Recommendation 17:</p> <p>The asset tagging process is completed and the register is updated accordingly. A physical inventory check is performed at least twice a year and signed by two persons confirming that the registered information reconciles with the physical assets.</p> <p>Management Action Plan:</p> <p>Management agrees with the recommendations. The Country Office have started implementing the recommendation.</p> <p>Risk Owner: Senior Administration Officer. Due Date: July 2017 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 - AUDIT ASSESSMENT LEVELS

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

ANNEX 3 – RISKS

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

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

ANNEX 4 - CAUSES

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

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

ANNEX 5 - ABBREVIATIONS

CHF	Swiss francs
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