



International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**FOLLOW-UP AUDIT OF THE NEPAL COUNTRY OFFICE
REPORT NO. IA-2016-13**

AUDIT PERFORMED: SEPTEMBER 2016

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1. BACKGROUND AND CONTEXT

The Office of Internal Audit and Investigations (OIAI) performed an audit of the Nepal Country Office in October 2015. This audit made thirty-one audit recommendations.

As part of the 2016 OIAI audit plan, a follow-up audit was scheduled to review the implementation status of these audit recommendations. This follow-up audit was performed in September 2016 in the IFRC office in Kathmandu, Nepal.

2. OBJECTIVE AND SCOPE

The objective and scope of the follow-up audit were to review the implementation status of audit recommendations. The approach included interviews with staff members, on site observations, and review of a sample of files and documents.

3. SUMMARY OF KEY FINDINGS

The review concluded that 70% of the recommendations (and sub-recommendations) have been fully implemented, 24% are in progress, and 6% where the implementation has not started.

The summary of audit recommendation status is as follows:

#	CATEGORY	#	SUMMARY OF RECOMMENDATION	STATUS
1	Risk Management	1.1	The Nepal delegation promotes and implements risk management practices. A consolidated risk register should be developed and maintained, with risk mitigation actions/strategies developed where appropriate.	In Progress.
2	Communication	2.1	A communication framework is established, namely: <ul style="list-style-type: none"> Map the existing internal communication tools used. Establish the internal communication priorities. Establish a consolidated internal communication plan. 	In Progress.
3	Cash transfer	3.1	The operation of the cash transfer system with the national society is reviewed. Such review should be based on a holistic approach to identify potential areas of improvement.	In Progress.
		3.2	A mechanism is established to follow-up the implementation of the annual external audit recommendations.	Not implemented.
4	Project agreement	4.1	Processes are established for project agreements to be signed prior to the implementation of activities.	Implemented.
		4.2	The project agreement is timely shared with relevant stakeholders, and a process is established to monitor compliance with the project agreement term.	Implemented.
		4.3	The terms and conditions in the project agreement are reviewed to ensure they are in sufficient detail to enable effective monitoring and accountability.	In Progress.
5	Transition relief to recovery	5.1	The recovery planning process is timely finalised and communicated to key stakeholders.	In Progress.

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		5.2	The delegation is organised with clear reporting lines, roles and responsibilities, and is appropriately staffed to implement the proposed recovery plan.	Implemented.
		5.3	A funding plan is established to identify and address potential funding gaps, and this plan is regularly updated, and shared with the national society.	Implemented.
6	Planning, monitoring, evaluation and reporting	6.1	Output and outcome indicators are established which are accompanied with a monitoring and evaluation plan and a means of verification.	Implemented.
		6.2	A management action plan is developed for each evaluation (and review) recommendation, and this action plan is monitored.	In Progress.
		6.3	National society financial and narrative reporting deadlines are followed-up for timely submission, and these reports are reviewed prior to IFRC reporting to partners.	Implemented.
7	Legal, contract management	7.1	Roles and responsibilities in relation to contract retention are clarified, and a process is established to ensure that the contract consolidated database is complete and accurate.	Implemented.
		7.2	All required signatures (or other evidence of technical approval) is obtained before contracts are finalised.	In Progress.
8	Supplementary services	8.1	The IFRC signs all partner national society (PNS) contracts, unless a Delegation of Authority is made to the PNS.	Implemented.
		8.2	The IFRC roles and responsibilities in relation to the provision of supplementary services is clarified.	In Progress.
		8.3	The risks in relation to a consortium (with partner national societies) are reviewed, and if accepted, to formalise this under the integration agreement guidelines and procedures.	Implemented.
9	Financial management	9.1	A mechanism is established to centralise invoice management within the Finance Department.	Implemented.
		9.2	Managers responsible for implementing and monitoring projects are formally given the authority and responsibility of managing their project expenses.	Implemented.
10	Human resources - recruiting & contracting	10.1	The decision on the preferred candidate is documented by the selection panel and included in the recruitment file.	Implemented.
		10.2	Contracts are quality reviewed prior to being approved and signed.	Implemented.
		10.3	The IFRC Consultancy Procedures (including the Guidance Note of October 2015) are fully implemented.	Not Implemented.

#	CATEGORY	#	SUMMARY OF RECOMMENDATION	STATUS
11	Human resources - staff regulations	11.1	The staff regulations and employment contracts are reviewed for adherence to local labour laws. This should include reviews from IFRC human resources/legal counsel and, where required, in-country legal counsel.	In Progress.
		11.2	The working hours are aligned with the reviewed staff regulations, and the agreed working hours are accurately reflected in employment contracts.	In Progress.
12	Human resources – staff management	12.1	A process is established to ensure that 2016 objective setting and 2015 performance appraisals are performed before the established deadlines.	Implemented.
		12.2	An overall leave planner (all staff), and monthly leave balances (national staff) are maintained, and reviewed on an interim basis to ensure reasonableness.	In Progress.
		12.3	Staff objective setting includes learning objectives which takes into consideration completion of mandatory training, e-learning, and other training relevant to the staff member`s role.	In Progress.
		12.4	The HR function has access to relevant training and other HR related information from the e-learning and MyHR databases, and reviews this information to assess the completion status of mandatory and other training.	In Progress
13	Human resources – starters and leavers	13.1	All HR files for current staff are reviewed to ensure that the checklist is completed and that personnel files have all the required information.	Implemented.
		13.2	The Delegation and Region Human Resource functions clarify who is responsible for retaining which documents to ensure that there are no gaps, and to minimise overlap.	Not Implemented.
		13.3	A briefing programme is developed for each incoming staff, and key tasks are established which should be completed during the probation period.	In Progress.
		13.4	A probation review is conducted for staff members which is documented before a decision is made on whether a staff member will be retained beyond the probation period.	Not Implemented.
		13.5	The leaver`s checklist is reviewed and sections in relation to handover are included (for example, handover notes, and the location of relevant documentation and files).	In Progress.
14	Petty cash management	14.1	All movements of cash in and out of the cash box are recorded and controlled using pre-numbered receipt books, and these are reconciled with the accounts.	Implemented.
15	Bank accounts management	15.1	The balance in local currency bank account (NPR) is kept to a minimum. The amount transferred from CHF to NPR bank account takes into consideration the actual needs to disburse payments in local currency.	Implemented.

#	CATEGORY	#	SUMMARY OF RECOMMENDATION	STATUS
16	Expenditure management	16.1	The following internal controls and accounting/financial processes are further improved: <ul style="list-style-type: none"> References to the original contracts are made/attached in supporting documentation. Procurement related documents such as requisition, purchase order, goods receive note, quotations, comparative bid analysis, are attached as supporting documentation. There is sufficient documentation or notes to explain the nature of the transaction. 	Implemented.
		16.2	The account 1425.DNP001 is fully reconciled and the remaining balance justified/cleared to zero. In the future, working advances to national society staff are provided directly by the national society to their staff.	Implemented.
17	Procurement management	17.1	The procurement business process standard operating procedures are finalised and communicated to Programs, and a consolidated programme-support plan is established.	Implemented
		17.2	A procurement matrix is established to clarify the roles, limit and types of procurement that can be performed by the IFRC Administration Unit and integrated PNS.	Implemented.
		17.3	Performance evaluation for temporary staff is done. A training plan is established, and an IFRC email account is set-up for full time staff.	Implemented.
		17.4	A standard Procurement file checklist is used and files are completed with all required documents. Emails and documentation which are still in soft copy are printed out and filed.	In Progress.
18	Procurement processes	18.1	The supplier response time is reviewed to enable suppliers sufficient time to respond, without affecting the quality of their bids.	Implemented.
		18.2	The specification of goods and services requested from suppliers is made clear at the point of request.	Implemented.
		18.3	Physical checks are done at the point of delivery to verify the exact quantities and quality of goods. Reasons for rejection should be documented in the Goods Received Note, and movement of goods documented.	Implemented.
		18.4	Differences in unit measurements are quantified and standardised when making comparative analysis.	Implemented.
		18.5	A checklist is used in each individual procurement file to ensure that all processes including the approver conditions have been met.	Not Implemented.
19	Procurement – supplier management	19.1	Assessment of sole suppliers' status is performed by obtaining more information on these suppliers, as well as other potential suppliers.	Implemented.

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20	Warehouse management	20.1	A documented analysis and risk evaluation of the existing stock, the storage capacity of available warehouse options and the storage and rental fees, is established.	Implemented.
		20.2	The warehouse/rubhalls security are improved and appropriate monitoring and control processes are established, including reviewing the service agreements conditions with the security company.	Implemented.
21	Handover of Emergency Response Unit (ERU) items	21.1	The reconciliation and consolidated list of ERU handed over items is finalised.	Implemented.
22	Fleet management – safety and security	22.1	A process is established to ensure that drivers effectively perform the technical check of the vehicles according to the existing technical checklist.	Implemented.
		22.2	A date is planned to provide all drivers with further training, in particular basic off road and defensive driving and security training.	Implemented.
		22.3	All vehicles bearing the Red Cross emblem should be kept in a secured location, and other security measures for vehicles are implemented.	Implemented.
23	Fleet management - processes	23.1	The operational vehicle needs assessment is reviewed on a regular basis. The assessment should consider the need to optimize the use of existing vehicles, and locally procured vehicles and minimize the use of locally rented vehicles.	Implemented.
		23.2	A cost-benefit and risks analysis of continuing to use locally rented vehicles vs using the existing non-carbon emission vehicles is performed.	Implemented.
		23.3	The local vehicle rental contracts are reviewed. Any amendments/changes to the terms and conditions of the contracts should be documented and approved in the contract sign-off sheet.	Implemented.
		23.4	The payment of per diems to the drivers of locally rented vehicles is discontinued. This should be agreed and communicated to the service providers and to all movement partners contracting the rental vehicle services.	Implemented.
		23.5	Management performs a documented risk based analysis, to decide whether to register the rental vehicles locally, or returning these vehicles to Dubai Fleet Base in replacement for "carbon emission" compliance vehicles.	Implemented.
24	Fleet management - administration	24.1	Drivers update daily the movement of vehicles into log books and the log books are reviewed on a regular basis. The fleet officer should update the FleetWave monthly to enable effective tracking of the vehicles' movement.	Implemented.

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		24.2	Driver's files are established, and a file checklist is used to ensure completion of documents, such as the signed driver rules and regulations, driver's licence and the driver's test result.	Implemented.
		24.3	A key register is maintained to record movement and handover of keys. Spare keys of the vehicles are retrieved and kept securely by the Fleet Unit.	Implemented.
		24.4	One standard Mission Order format is used. The Fleet Unit should only process vehicle requests based on signed and authorised mission requests which include security clearance.	Implemented.
25	Fleet – maintenance and fuel management	25.1	The local workshop service maintenance contracts are finalized. Maintenance performance indicators with the service providers are included in the contract.	Implemented.
		25.2	A service agreement is established with a reputable fuel vendor. The agreement should be established with a vendor that can provide details on fuel purchases, such as printed fuel receipt, detailed invoice, etc., that enables the Fleet Unit to keep track of fuel purchases for each vehicle.	Implemented.
		25.3	All fuel usage for vehicles, and generators, is monitored and recorded in FleetWave. This should include reviewing fuel usage, investigating any significant differences and establishing benchmarking for each vehicle fuel usage (including generators).	Implemented.
26	Security	26.1	The Standard Operating Procedures are finalised, approved and distributed to all staff.	Implemented.
		26.2	All staff complete mandatory security courses, such as "Stay Safe". Travel or field mission are not authorized before those courses are completed. Furthermore, the Delegation security focal point should monitor staff completion of the "stay safe e-learning course" on a regular basis.	In Progress.
		26.3	The list of visitors is shared with the Security focal point. Security focal point should ensure all visitors receive a security welcome pack and/or are provided with relevant security briefing, as appropriate.	Implemented.
		26.4	The Security focal point is provided with specific training concerning IFRC Security policies, procedures, guidelines and main processes.	In Progress.
		26.5	The Security focal point, in coordination with the Appeal manager and Delegation Finance Unit, agrees on the necessary security costs that need to be added/covered by the Appeal budget.	Implemented.
27	Administration - support	27.1	The relevant Ministry is contacted to assess in relation to visa matters.	Implemented.
		27.2	A process is established for full compliance with the	Implemented.

#	CATEGORY	#	SUMMARY OF RECOMMENDATION	STATUS
			Housing Guidelines which includes delegates signing the undertaking letter, as well as signing the inventory list which forms part of the leasing contract.	
28	Administration – processes & procedures	28.1	The Administration procedures are finalised, approved and communicated throughout the Delegation.	Implemented.
		28.2	A review is performed to determine which service agreements are to be established, and a request for quotation process is initiated to establish such agreements.	Implemented.
29	Assets management	29.1	The inventory list is accurate and complete and regularly updated. Physical inventory verification is performed at least annually and is signed by two persons as evidence that the register matches the physical verification.	Implemented.
		29.2	Each material inventory item is assigned to a current staff member, and that when staff leave and return assets, the inventory register is updated accordingly.	Implemented.
		29.3	Receipts and evidence of handover of goods are issued when there is a disposal of equipment, and reconciliation is performed to ensure that all expected funds are recorded in the financial accounts.	Implemented.
30	Information systems	30.1	Any IT request for support should be documented, either through email or filling out a request form.	Implemented.
		30.2	The IT officer is provided with specific training concerning IFRC IT policies, procedures, guidelines and main processes.	Implemented.
31	Information systems - infrastructure	31.1	All required IT processes, procedures and systems are established according to best practices and IFRC requirements, including networks, back-ups, and information sharing and security.	In Progress.