



International Planned Parenthood Federation

Internal Audit Progress Report (2020/21 Plan)

Audit and Risk Committee

26 February 2021

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2020/21 AUDIT PLAN

The internal audit plan for 2020/21 was approved by the Finance, Audit and Risk Committee (C-FAR) on 15 July 2020. The plan allows flexibility in delivery to meet key business risks. The table below provides a summary of progress and summarises the results of our work to date.

Audit	Priority	Status / Opinion issued	Audit approach	Planned Audit Commencement
Control Risk Self-Assessment (CRSA)	Priority 1	Report Issued	Advisory	
Procurement and Contract Management	Priority 1	Report Issued	Advisory	
Investigation 1	New Audit	Report Issued	Investigation	
Supply Chain	New Audit	Draft report issued	Advisory	
Investigation 2	New Audit	Commenced	Investigation	Feb-21
Financial Controls Processes	New Audit	Commenced	Advisory	Feb-21
Key Financial Controls	Priority 1	Delayed	Advisory	TBC
Grant Monitoring Process	Priority 1	Delayed	Assurance	TBC
Data Analytics – Payroll, Expenses and Accounts Payable functions	Priority 1	Commenced	Advisory	Mar-21
Safeguarding Framework	Priority 2		Assurance	TBC
Follow up of NetSuite ERP recommendations	Priority 2		Assurance	TBC
Follow up of forensic audit findings	Priority 2		Assurance	TBC
General Data Protection Regulations	Priority 2		Advisory	TBC
Assurance Mapping and Risk Management Support	Priority 2		Advisory	TBC
Duty of care	Priority 2		Assurance	TBC
Budgetary control and financial reporting	Priority 2		Assurance	TBC
External Relations – Stakeholder Management	Priority 3		Advisory	TBC
Service Delivery	Priority 3		Assurance	TBC
Branch / Subsidiary Office Review	Priority 3		Advisory	TBC
Governance	Priority 3		Advisory	TBC
Human Resources	Priority 3		Assurance	TBC
Follow up	Priority 3		Assurance	TBC
Contingency			n/a	TBC
Management			n/a	Throughout the year

Changes to the audit plan

In line with global best practice internal audit should focus on business risk and provide assurances to management and the Finance, Audit and Risk Committee that the controls in place are adequate and effective in managing those risks., by their nature, can be audited. The following audits have been agreed or requested:

Supply Chain Audit - During the final stages of the procurement audit it was identified that commodities procurements had not been included in the sample population. Procurement data for commodities links to the grant and funding data.

Commodity procurements bring significant financial exposure to the IPPF with the supply chain posing multiple risks. Together with management we have agreed to undertake extended testing of the IPPF supply chain process as a separate audit. The supply chain audit will consider the identification of procurement needs, grant and other funding conditions, through to timely delivery to members and reporting. It will exclude last mile logistics.

Investigation 1 – Following receipt of information provided by a whistleblower, management requested internal audit to undertake a confidential investigation. The findings of our report were provided to the Director General and the Director of Finance & Technology.

The audits of **key financial controls** and **grant monitoring processes** are delayed for operational reasons.

Three additional short audits have been added to the plan, these include **Data Analytics** – Payroll, Expenses and Accounts Payable functions; **Financial Controls Processes** – considering authorisations and segregation of duties and **Investigation 2** – considering additional concerns raised in relation to investigation 1.

CONTROL SELF ASSESSMENT AUDIT 1.20/21

Survey Objectives

As part of the approved 2020 internal audit plan, we conducted a bespoke survey covering IPPF international offices to gain an understanding of how these offices operate and to identify areas of risk that may be present. The results of this survey will help to increase our understanding of how IPPF operates, where consistencies and variances occur and the level of control awareness at the location. It is a cost-effective way to quickly understand the assurance mechanisms, assist in identifying clear lines of accountability for controls and to help develop a reinforced governance regime. It also helps to increase wider awareness of organisational objectives and the role of internal control in achieving these goals and objectives, often motivating personnel to design and implement controls and to continually improve processes. It reduces the requirement for extensive audit and allows our audit work to focus on high risk and unusual areas, to develop relationships and collaboration with delivery teams.

We developed the Internal Control Questionnaire, (ICQ), tailored to focus on the critical risks for the business and issued it to relevant locations using our own secure 4Questionnaire software tool, enabling remote data capture and analysis. The question set was developed in discussion with the Director of Finance and Technology, the Financial Controller and through our own desktop research. It is structured to gather information on international office operations but does not seek to differentiate between regional and subsidiary offices. It is designed to cover all those representing IPPF including staff and contractors.

The questionnaire focused on the following thematic areas

- a Background information to inform our work including office type, staffing, contracts, values, assets etc.
- b Governance / Assurance / Fraud
- c Information Governance
- d Gender Equality
- e Safeguarding
- f Duty of Care
- g Programme Delivery
- h Risk
- i Budgetary Control

The survey incorporated a mix of numerical, free text, drop down and specific questions to elicit responses. It should be noted that our approach and the tools used are designed to obtain a high level and 'first assessment' response. It may not, therefore, be wholly accurate as it is based on personal responses albeit in many cases in relation to "yes" or "no" responses and opinions for some other questions.

Similarly, the results have not, at this stage, been independently validated. They do, however, provide an initial indication of the adequacy of governance risk and control arrangements in various locations and allows for comparisons and assessments to be made in terms of those locations that might merit closer attention. Some of these will be used to inform future internal audit work.

The responses could also be validated or, as a minimum, sense checked, by IPPF management as part of any visits to individual locations. This would help reinforce the importance of the survey and of answering fully and honestly, the questions posed.

Survey Method

IPPF provided a list of contact points for seven international offices. Each of these received a clickable link that allowed these contacts to complete and submit their survey answers online.

We received full responses from six of the seven countries. These included Fiji, Belgium, India, Malaysia, Thailand and Kenya. We received a limited and incomplete response from Tunisia (Arab World) where the majority of questions were not answered.

Key Findings

Finance and Fraud

Both Belgium and Kenya reported that they had experienced instances of fraud in the past 12 months. The control failure linked to these instances should be investigated and improvements made. There are no reports of requests to make payment to Government officials and all respondents confirmed that they considered they were compliant with immigration / visa requirements. However, the Thailand office identified the risk of not extending visa and work permit for expat staff in a timely manner which could result in working illegally and lead to fines and potential imprisonment. This suggests a need to strengthen monitoring controls in this area.

All locations, with the exception of Malaysia, stated that they are required to submit annual returns to Government for Tax, Employment or other purposes. Malaysia is registered as an NGO and employs 23 staff, the requirement to submit annual returns should be followed up. Likewise, Fiji responded positively to annual returns however stated that it has 'unregistered' legal status. This is something that requires further investigation.

Not all offices are using NetSuite or have a finance procedure manual in place. They confirmed that a variety of different processes are in operation. Variations to defined processes can lead to limiting oversight abilities, thereby increasing the opportunity for error and fraud.

The Kenya office appears to have the highest cash holding under management (\$6.3m) of those offices covered by our survey. HQ should consider if this level of holding is required.

People

Resourcing models differ between each office with consistencies in that offices tend to employ full-time staff as opposed to part time employees and contractors. Appraisals and performance development reviews take place each year and all offices have an identified lead for bullying, harassment and discrimination.

Only five of six offices confirmed they are compliant with the IPPF diversity and inclusion policy with Kenya stating that it was not. All respondents confirmed they have a code of conduct which is applicable to its staff and contractors. Belgium confirmed it did not follow the IPPF gender equality strategy, but they did have an action plan in place to address this.

Two respondents confirmed they had at least one young person on their governing body with other respondents stating that this was 'not applicable'.

All offices stated they were compliant with mandatory training. However when asked to list mandatory training areas, responses differed by location. There is a need to standardise this approach and develop a list of core training that is mandatory for all staff and contractors.

Information Governance

Fines relating to data breaches are significant and can have a negative impact on the reputation of the organisation. The IPPF offices regularly collect data, we understand some of this will be confidential or personal. 86% of the office IT infrastructure is reported to be portable thereby increasing the risk of data loss. Concerningly three entities did not have an identified lead for data protection / information governance, collectively they account for 72% of the portable IT assets. Two offices stated they had received no training on data protection with one office confusing data protection with confidentiality. Only India referred to a data protection policy.

The use of contractors' personal IT used for IPPF work varies, with half of all offices reporting that the use of personal IT assets was allowed and the remaining offices stating it was not referred to in their IT policy. Malaysia stated that IT information is not secured against loss or theft although no office reported data incidents in the past 12 months.

Regular backups of data are essential to ensure control over data security and recovery. Fiji stated only email data is backed up; Malaysia completes a backup weekly; Kenya do not back up to the UK servers but do have access to Microsoft 365, iCloud server, OneDrive and emails used for backup purposes. India and Thailand backup daily to a local server. Three offices reported hosting more than one server. IPPF should consider if regular back up to a single server is required to manage and prevent data loss.

Child Protection and Safeguarding

All offices reported safeguarding and child protection were central to their operations with training (which is mainly mandatory) provided for all staff and contractors, appointed safeguarding leads, awareness of the IPPF Child Protection Policy for staff contractors, suppliers and partners and awareness of reporting. One office stated that training material was dated and not regularly refreshed, they stated that staff needed to re-train on Safeguarding. Checks on partners and supplier were not, in all cases, undertaken.

All offices reported awareness of how to report whistleblowing concerns, additionally stating that awareness and training had been provided.

Duty of Care

Organisations have a responsibility for the safety and security of their staff and those they are responsible for. Many donors have a specific contractual clause relating to duty of care requirements. Positively, all offices reported having a responsible person for first aid, were aware of local Health and Safety requirements, knew where to locate the IPPF Health and Safety Policy and when and how to report a health, safety or security incident within IPPF.

There were a number of areas identified where improvements are needed including security, business continuity and evacuation plans. Kenya additionally confirmed they had not been provided with necessary support equipment for travel and there was no travel and security policy for the region. Kenya has three office vehicles. Belgium and Kenya had not nominated a lead for security matters, and staff in Kenya had not been provided with training on travel and security. This is particularly concerning given Kenya identified civil unrest, natural catastrophe and terrorist attacks as key risks.

Risk Management

The Risk management frameworks appears not to be fully embedded within the IPPF global network. We found that Belgium, India and Kenya offices did not maintain office risk registers and programme risk registers were not in place in Malaysia and the other three offices. As a result, risks were not regularly reviewed within the governance structure and there is no risk ownership. We additionally found that risk management policies were not in place in the Belgium and Kenya offices and both Belgium and Malaysia offices had not had sight of the IPPF global risk register. Findings would suggest that risk management arrangements are not fully embedded, and processes are not in place to ensure that risks are escalated to the attention of Head Office.

Human Resources

Positive responses were received with respect to completion of appraisals and performance development reviews and in relation to completion of mandatory training. On area of concern was that the Kenya office confirmed it was not compliant with the IPPF diversity and inclusion policy.

Conclusion

The risk profile across the global network varies and there are areas of good practice along with some areas of concern raised through this report which warrant further attention.

Consideration should therefore be given to cyber and data security, duty of care along with detailed audits of the Tunisia, Kenya and potentially Belgium offices. We will ensure that these key areas are considered in our 2021 audit plan or sooner if possible.

PROCUREMENT 2.20/21

Why we completed this audit

This procurement audit was undertaken as part of the 2020/21 internal audit plan. IPPF have recently undergone a significant internal restructure which has now been completed. The roll out of NetSuite is in progress and is still not fully operational. COVID-19 has required a change to operational working practices.

Management informed internal audit that they were aware issues would be identified during the audit and that the current policies and procedures may be in need of review. In agreement with management and to avoid reporting issues that management may already be aware of, we have reviewed the current procedures guidance and captured instances of good practice and combined this with suggestions to improve current processes (see Section 3 Procurement Good Practice Map).

This audit is therefore a mix of compliance and advisory work. It is intended to compare IPPF current procurement processes to best practice and also test for compliance to the current process. It does not therefore provide an assurance rating.

Key findings

Our compliance testing programme identified non compliances with procedures relating to the following:

- No or limited evidence of more than one quote for high value purchases where no framework exists,
- No or limited evidence of authorisation prior to spending commitment;
- The signing of Consultancy Agreements after the supply of work or services had commenced,
- The absence of evidence to support contact acceptance by both parties;
- No or limited evidence of tender waiver to support deviation from the procurement process;
- The commissioning (contracting) of service prior to the completion of the Contract Commissioning Form;
- Unapproved alterations to standard contracts and/or agreement to contract variations; and
- No evidence of a gifts and hospitality register.

Non-compliance often occurs because of a lack of awareness, convoluted process, ability to not comply or an indicative need for urgency, these requirements can be planned for. IPPF could consider the following points for improvement:

- A dedicated procurement team, currently commodities and other procurements follow separate processes, there is a need for at least one suitably qualified and responsible person for procurements;
- Development of a workflow to mandate supplier set up and payment based on completion of the correct stages, with regular monitoring for noncompliance. This could be developed as part of the NetSuite roll out;
- Increasing the number of pre-approved supplier frameworks, refresh it regularly (e.g. every 3 years);
- Develop a database of pre-approved and authorised consultant/contractor services;
- Regular market testing to ensure best value (not necessarily the cheapest) service is obtained;
- Refresh the awareness of procuring staff and budget holders on their procurement obligations;
- The issue of standard contracts with pre agreed terms, deviations to be agreed in advance of signing by the Director, Legal, Risk and Compliance; and
- Development of a supplier contract management database to ensure contracts are renewed and refreshed in a timely manner. This will also centralise contacts in one location;

Conclusion

The audit identified both good practice and non-compliance, while the financial value of some contracts could be perceived to be low and could be deemed low risk supply items, the failure to adequately follow the prescribed procurement process can bring unexpected consequences that the designed process is in place to manage.

That said the procurement process can be deemed to be excessive in some instances and would benefit from a process refresh, improved workflow, increased number of pre-approved frameworks, allocation of responsibility and awareness raising. Commerciality of contracts should be considered together with improved control over contract management. This should provide for auditable processes, compliant with current requirements, improved traceable value for money and limit the risk of future liabilities should they occur.

OTHER MATTERS

1.1 Information and briefings

We have undertaken the following added value work since the last Audit and Risk Committee:

Title	Impact and actions required
Mental Health Tip	For information.

1.2 Quality Assurance and Continual Improvement

To ensure that RSM remains compliant with the Institute of Internal Auditors International Professional Practices Framework (IPPF) we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams.

The Quality Assurance Team is made up of: Ross Wood (Manager, Quality Assurance Department) with support from other team members across the department. All reports are reviewed by James Farmbrough as the Head of the Quality Assurance Department.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

1.3 Post Assignment Surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Following the finalisation of each product we deliver we normally issue a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each product (current option);
- Monthly / quarterly / annual feedback request; and
- Executive lead only, or executive lead and key team members

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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