



## Assurance review of Hurricane Dorian, Bahamas

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الاتحاد الدولي لجمعيات الصليب الأحمر والهلال الأحمر

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# 1. Introduction

## 1.1. Area subject to review

1. This report covers our assessment of IFRC's presence in Bahamas and concentrates on the operation Dorian in Nassau, and sub-offices in Abaco and Grand Bahama. This review assesses the controls used to manage IFRC-funded operation to ensure that the operation objectives are being met and risk is mitigated to within IFRC's risk appetite.
2. The report considers the wider context, including the work with the Bahamas Red Cross Society ('BRCS') and a few Partner National Societies (PNSs), the IFRC strategy, frameworks of controls, policies and procedures and their impact and relationship with local risk management in the context of Bahamas.
3. A field visit was performed to Abaco where relief activities were implemented, and cash activities were planned. We appreciated the opportunity provided to interact with BRCS volunteers, and the opportunity to see, first-hand, the scale of devastation and the needs in the most affected areas.

## 1.2. International Federation of the Red Cross and Red Crescent Societies (IFRC) context

4. On 1 September 2019, Hurricane Dorian hit the Northern Bahamas with winds of up to 298 km/h reaching Category 5 on the Saffir-Simpson scale. The storm stationed over Abaco Island and Grand Bahama for almost two days. Hurricane Dorian was the strongest Atlantic hurricane documented to directly impact a land mass since records began.
5. Abaco Islands are the most severely affected: widespread destruction, thousands of houses levelled, telecommunications towers destroyed, and water wells and roads damaged. In Grand Bahama, 1,385 households were severely damaged, and 326 homes destroyed, between Freeport and Deep-Water Cay.
6. The population affected by the disaster includes Bahamian citizens from Grand Bahama and Abaco and many people of Haitian descent. While some Haitians are regularised and reside under work permits, many don't have an immigration status, miss documentation or could be stateless making them particularly vulnerable. Some people affected were evacuated to New Providence. As of 28 October, 777 people were reported by the National Emergency Management Agency (NEMA), in five official shelters.
7. The IFRC Emergency Appeal sought to support the Bahama's Red Cross Society (BRCS), to deliver assistance to and support recovery of 2,500 families (10,000 people) in the following areas: Shelter; Health; Water, Sanitation and Hygiene Promotion (WASH); Livelihood and basic needs; Protection Gender and Inclusion (PGI); Migration; Disaster Risk Reduction (DRR); and National Society Development.

## 1.3. Rationale for the review

8. The Hurricane Dorian left a trail of devastation, the operation scaled up rapidly and soon ranked as one of the largest operations of the IFRC. The IFRC did not have large operations in Bahamas in recent history, hence, considering the scale of the operation and experience of the IFRC in this context, this operation was identified as a high-risk emergency.



## 2. Scope of Review

9. Our work is designed to be supportive to management colleagues to enhance the response in the short and medium term. This work is **not** a formal internal audit but is a piece of fraud prevention and independent counter-fraud risk assessment work by the OIAI; it will contribute to our counter fraud assurance plan and wider independent assurance work.
10. The scope of our visit aims to assess the design and implementation of risk and internal counter-fraud control frameworks established by management colleagues to ensure delivery of the operational plan, including risks linked to the below processes:
  - Sourcing, procurement and distribution of relief items.
  - Human resources (incl. volunteers).
  - Cash transfer programme.
  - Corruption, exploitation and abuse prevention.
11. The scope of our review includes a review of the following, with a risk-based approach:
  - The existing risk management framework, including the assessment of the current risk register.
  - The existing internal control framework for both programmes and support services. That will include a general review of the adherence to standard IFRC controls linked to the above processes
  - Development of a set of suggested counter-fraud control improvements based on the above review.



## 3. Audit Findings

### 3.1. Good practice identified

12. We identified the following examples of good practice:

- Cash distribution tasks are segregated, distributions are structured and organised.
- Safecall details are visible on the purchase orders sent to the suppliers.
- New delegates and visitors briefing provide adequate information on the conduct expected from them and the security context.
- The cash transfer programme risk assessment is developed and documented, but the overall operation risk assessment is not (see below).

### 3.2. Findings

#### Key issues and risks

13. Issues and risks identified are categorised according to their programme and project impact on IFRC. The following higher risk issues / risks are identified from this review:

- **Cash information management** – The information management system, although effective and rapidly deployed, is not efficient and fails to fully integrate data with payment solutions.
- **Earmarking** – The operation's income is significantly earmarked to specific activities, increasing the amount of resource spent on pledge-specific administration, providing low levels of flexibility to change the programme to evolving needs and reducing the overall efficiency and effectiveness of operations.
- **Accounting** – Low implementation rates can affect the ability of the IFRC to mobilise resources, but in this case, low implementation rate is significantly due to delays in accounting for the transactions in IFRC accounting system
- **Petty cash** – Cash is a significant risk of loss and theft without suitable control. The impact of cash theft is not limited to the direct loss or nominal value; a theft or fraud could undermine donors' trust in the IFRC control system.
- **Fleet management** – The operation did not have standard IFRC vehicles, instead it hired vehicles locally from vehicle short term rental companies, which can be ineffective and inefficient, increasing costs and limiting our ability to deliver aid.

#### Other risks / issues identified

14. The following other issues / risks have been identified during the course of our review:

- **Beneficiary selection** – The beneficiary selection could be enhanced further to reduce the risk of manipulation.
- **Risk Register** – The operation's management had not prepared a risk register. Risks could not be timeously identified, and the risk response could be inadequate.
- **Treasury management (bank)** – A local bank account has not been opened. Payments could be delayed and consequently affect the effectiveness and efficiency of the operation.
- **Procurement** – The procurement in-country is limited, however, we noted risks that could affect the operation (e.g. supplier cartels, price inflation, bid rigging).
- **Transitioning from surge to programme** – As of November 2019, the operation was transitioning from surge to programme and we observed important delays in the recruitment of key positions.
- **National staff recruitment delays** – Slow recruitment and mobilisation of qualified national staff could, lead to programme implementation delays.
- **Volunteer insurance** –The insurance status of volunteers is unclear, which could lead to liabilities in case of volunteers' accident/health problems in discharging their work.

- **Safeguarding** – Although we noted positive developments, the safeguarding policy and control framework remains inadequate to protect employees or beneficiaries, to detect incidents on a timely basis and escalate those incidents.
- **Do no harm** – Undocumented migrants are inherently exposed to deportation and the operation could expose them further. Although this risk was identified by the operation, the risk response should be developed further.

### 3.3. Summary IFRC management response

15. The Bahamas Operation Team recognises the risks highlighted in the OIAI report and agrees in full or partly to the findings, including the contextual risks and risks inherited from IFRC internal processes that are beyond the control of the IFRC Bahamas Operation. Bahamas Operation has, before receipt of this report, initiated risk mapping and mitigation measures and will continue to do so as outlined under the management response in this report. Operation fully acknowledged the relevance to evaluate and improve the effectiveness of risk management, control, and the governance process over the subject matter.
16. Bahamas Operation Team takes responsibility and step-by-step action to reduce and manage the risks that are within its control. The inherent risks outside its control require concerted efforts by the different levels within the IFRC. Certain risks are long outstanding and acknowledged and sustained efforts are being put into place to mitigate the risk in the short and the long term. We also highlight the importance of closer collaboration within the different layers in the IFRC around resource mobilisation. This will become even more important with Bahamas identified as a priority context and requires longer term, predictable and sustained financial, technical and human resource investment. EPoA and the identified funding gaps in it should serve as the basis for fund raising efforts and any initiative outside its scope closely coordinated to ensure that the feasibility of any initiative is assessed against the real context and capacities in Bahamas.