

Australian Red Cross

**Review of the Issues Surrounding the
Administration of the Bali Assistance
Fund**

August 2003

Executive summary

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Background

The Bali Assistance Appeal was launched by Australian Red Cross (ARC) on 16 October 2002, four days after the tragedy in Bali. The decision to launch an appeal was an ARC initiative following public, business and government sentiment that such an appeal would be an appropriate mechanism to assist the victims.

A detailed timeline of the events surrounding the Bali Assistance Appeal's progress is attached as Appendix C. The key dates are summarised as follows:

2002

12 October	Bombs explode at Paddy's Bar and Sari Club
16 October	Appeal is launched with media release and press conference announcing scope of appeal
21 October	ARC Bali delegation determines what assistance can be provided by ARC on the ground in Bali and commence regular reporting to ARC senior management
25 October	First informal meeting of Bali Assistance Fund Steering Committee (BAFSC)
Oct - Apr	A number of assistance programs established and payments from the Fund are made to affected Australians and their families and to programs in Bali

2003

17 May	First media article raising concerns about ARC handling of Bali Appeal Funds
17 May	ARC responds to media issues through media release and press conference
May - June	Further media reports questioning ARC management of the fund and ARC media responses
23 May	PricewaterhouseCoopers audit announced

On 17 May 2003 two newspapers reported the views of a small number of Australian victims who were primarily unhappy with the delays surrounding the provision of prosthetic limbs. We note from our review of the material that it was not ARC's responsibility to fund prosthetic limbs.

These reports were the start of a series of allegations reported in the media about ARC's management of the fund relating to the type of assistance being provided, perceived delays in paying assistance and the costs of administration.

From our review of media coverage since 17 May 2003 and discussions with ARC senior volunteers and management we have summarised the following key allegations in relation to the Appeal:

Key allegations

ARC has misled the Australian donating public in that:

- it promised to spend 90% of the funds on direct assistance to the victims
- a lump sum of 10% of funds has been taken for administration and that this amount is excessive
- the Australian funding was to assist the Australian victims and their families and not other programs; and
- the funds being spent in Bali have not assisted the Balinese victims.

ARC's management of the Fund has been unsatisfactory because:

- ARC has been too slow in distributing the funds to victims and at times bureaucratic in determining eligibility for assistance
- ARC has been inconsistent between states in the application of guidelines to claims
- ARC has not allocated/distributed funds for prosthetics
- funds have been allocated to "pet Red Cross projects"; and
- some of the projects were not in accordance with the announced intent of the Appeal.

Scope

On 22 May, ARC requested PricewaterhouseCoopers to provide an independent audit of the Bali Assistance Fund and investigative assistance in respect of ARC's management of the fund, the scope of which is detailed in section 2.

In summary we were requested to consider the reported allegations in the context of:

- ARC's governance surrounding the set-up and administration of the Bali Assistance Fund
- the internal controls implemented by ARC to ensure completeness and accuracy of the income and expenditure of the Fund; and
- whether expenditure was in accordance with ARC's stated intent of the appeal and the guidelines drawn up for each program of assistance.

We also performed an audit of the Special Purpose Financial Report of the Fund as at and for the period ended 31 May 2003 including investigating whether there had been any indication of fraud or misuse of donor funds.

The purpose of our report was to give ARC an objective assessment of its management of the fund and to recommend improvements in processes where these were identified by our work.

Overall conclusion

From the time of the bombing, through the period of the appeal launch and thereafter the ARC has faced a period of extraordinary stress, which would have stretched the resources, staff and capabilities of many organisations, not only a not for profit aid agency. The speed of development, the desire of the whole nation to contribute funds and the focus and demands of the media, all had to be channelled into an efficient system for assessment, administration and delivery of assistance on a scale not experienced before.

Measured against this background our work has shown the ARC systems, staff, controls and approach, while not perfect, coped remarkably well. The lessons learned will be invaluable if support on this scale is required again and the recommendations made in this report are designed to facilitate this.

In the wake of the disaster and ARC's decision to launch an appeal, the organisation established appropriate governance and internal control procedures over the administration and day to day management of the Bali Assistance Fund. This ensured adequate control and accountability such that the funds were spent in accordance with the original stated intent of the Appeal and with subsequent internal guidelines.

ARC communicated regularly throughout the Appeal with the victims and the donating public through press releases, media conferences and interviews, Bali Bulletins and fact sheets. With the benefit of hindsight the clarity or timeliness of certain aspects of this communication could have been improved to ensure no gaps arose between the expectations of the victims and the donating public and the actual intent and progress of the Fund.

We did not identify any evidence of fraud or misuse of donor funds.

Our overall conclusion is based on the work performed and key findings summarised below and should be read in conjunction with the scope and the limitations of our scope set out in section 2.

Summary of findings

The following findings have been identified as a result of our work:

Set up and administration of the Fund

- The procedures adopted by ARC to set up the Appeal and to oversee its governance, including the formation of a specific sub-committee of the National Executive (the Bali Assistance Fund Steering Committee) appear to be robust and sound.
- The structure and role of the Bali Assistance Fund Steering Committee (“BAFSC”) appears appropriate:
 - members comprised senior volunteers and executives as voting members and suitably qualified senior ARC management
 - the terms of reference accord with the role of the Committee as the link between the National Executive and management
 - it had appropriate authority to review and make decisions concerning delivery of assistance.
- Liaison with Government through the Bali Interagency Taskforce occurred to ensure ARC programs were complementary to Government programs and addressed unmet needs as stated in the original appeal announcement.
- Timely liaison occurred with other relevant parties in developing the strategy of the Fund, for example a delegate of the American Red Cross travelled to Australia to provide advice and assistance during the early stages of the appeal.
- The day to day management of the Bali Appeal Fund operated effectively.
- The 16 October 2002 media release included a statement that 90% of funds would be spent on direct assistance to the victims. When read in isolation, this sentence could be seen as misleading. However, the intent of ARC in relation to the expenditure of funds was clearly stated in the earlier paragraphs of the media release.
- Although certain risks were identified and considered by the BAFSC in administering the Fund, no formal risk management plan was implemented.
- ARC sought and received public suggestions for appropriate use of the Bali Assistance Funds via a radio interview on Jon Faine radio program, ABC774, Melbourne, its website and other media engagements

ARC's uses of the Fund

- The use of Appeal funds for the Spray on Skin Project and the Darwin hospital disaster-planning project was not in strict accordance with the stated objective of assisting Australian victims and their families, however:
 - these projects were funded because they were considered to be sufficiently linked to the tragedy
 - the BAFSC acted within its authority in carefully reviewing and subsequently approving these programs
 - it was noted that the spray on skin project could potentially benefit some of the victims.
- Bali projects were developed in conjunction with the Indonesian Red Cross (PMI), being programs not covered by other organisations, which is consistent with the ARC's stated intent.
- ARC communicated regularly to the public about the Bali projects funding but with the benefit of hindsight, this may not have been sufficient to fully explain the complexities of the protocols of international Red Cross aid work.
- A progressive approach to assessing needs and distributing funds was adopted which ensured unmet needs were identified and avoided duplication of assistance being provided by other agencies. With the benefit of hindsight this may not have been sufficiently communicated on an ongoing basis.
- The delays in finalising the Long Term Assistance Grant package were not under ARC control and this could have been better explained by ARC to the public, although victims were kept informed:
 - the ARC Bali Update of 31 March 2003 noted ongoing liaison with the Commonwealth regarding maximizing assistance and minimising duplication
 - ARC sought further clarification from the government as to its commitments prior to finalising and announcing the Long Term Assistance Grants.
- ARC used informal processes to obtain the views of victims in developing some of the criteria for assistance. A focus group of victims was used to assess the recently released Long Term Assistance Grant, which was welcomed by those consulted.
- At 4%, administration expenses have been charged to the fund in accordance with ARC policy and less than the stated 10% limit, as documented in the special purpose financial report as at 31 May 2003.
- While being the source issue of a number of allegations made against the Red Cross, it was not ARC's responsibility to fund prosthetic limbs:

- all programs of assistance were developed in liaison with government agencies
- it was always ARC’s understanding that the government would fund health expenses including prosthetic limbs
- a media release dated 16 May from the Commonwealth Minister for Health and subsequent communication between ARC and her office and the Commonwealth Health Department confirms the Government’s responsibility for prosthetic limbs.

Internal controls applicable to the Bali Assistance Fund

- The internal controls implemented over the administration of, and payments from, the fund as set out in section 5, including the establishment of control guidelines by ARC National Finance, specific guidelines for each program of assistance and establishment of a central review and approval process ensured payments to victims were:
 - in accordance with the intent of the Fund
 - appropriately supported by relevant documentation
 - flexible to ensure speed of payment and compassion.

Audit opinion on the special purpose financial report

- Our audit testing did not identify any evidence of fraud or misuse of donor funds.

Recommendations

As a result of our work we have identified the following recommendations for consideration by ARC:

- ARC should adopt a formal risk assessment methodology which can be applied to all future appeals and ARC activities to:
 - identify the key stakeholders
 - identify the key risks relating to the appeal/activity, for example, reputation and fraud risk
 - formulate plans to mitigate risk
 - ensure controls are in place to address specific issues as they arise
 - establish ongoing risk monitoring and response
 - develop and maintain a rigorous communications management process and procedure for situations of this kind in the future, including a revised template approach to communications planning with associated checklists and procedures for media management
 - establish a formal “lessons learned” review process at the conclusion of every major appeal, which would also include improvements to the communications process.
- ARC should continue to seek input from victims and other relevant stakeholders, as appropriate, in developing guidelines for assistance for this and future appeals. A plan or recognised procedure for gaining this input should be drawn up and incorporated into the communications template and risk management plan.
- ARC should develop more formal processes for communicating with external collection agencies to ensure:
 - they represent accurately the ARC Appeal objectives
 - the ARC name is not inappropriately used
 - controls are in place for the transfer of funds to ARC.
- ARC should continue to discuss with Government the need to amend privacy laws in emergency situations to enable sharing of information between organisations providing disaster relief.
- ARC should continue to discuss with Government how multi-agency responses to emergencies can be improved to ensure that victims are completely clear about which agency is providing which service and how that assistance might be obtained.