

Background

The Provident Fund Humanitarian Repayable Withdrawals (PFHRWs) scheme was established by the Commissioner-General in accordance with Area Staff Rule 106.1.17. In this scheme, a participant in the PF, as defined in Area Staff Rule 106.1.3, may obtain a withdrawal against their PF credits subject to conditions outlined in the PFHRW Technical Instruction No. 1.

Administration of the PFHRW is managed in accordance with two regulations: Area Personnel Directive: A/6/Part VII/Rev.5 - Provident Fund Humanitarian Repayable Withdrawals - Nov 2016; and Provident Fund Technical Instruction No. 1 (PFTI No.1) on the Provident Fund Humanitarian Repayable Withdrawal Scheme Effective October 2016.

The overall administrative structure for the PFHRWs includes three levels: the Provident Fund Secretariat (PFS), the Central Provident Fund Humanitarian Repayable Withdrawals Committee (Central Committee or CPFHRWC), and the HQA PFHRW Committees (HQA Committee or HQPFHRWC).

Objective and Scope of the Audit

The audit covered loans approved at Headquarters Amman (HQA) from 2021-2022. It focused on providing input to determine the extent of recently identified control deficiencies in the PFHRW process and any potential risk of misconduct to better support management decision-making with respect to an overall enhancement in policy and internal mechanisms for PFHRW. A similar audit was conducted in Lebanon and Gaza Field Offices.

The approach included inquiries, interviews, and discussions with relevant staff in PFS, and the HQA PFHRW Committee, assessing relevant documents to check authenticity on a sample basis reasonably, analysis of data obtained, and other necessary procedures. Approved applications in 2021 and 2022 were reviewed in detail, and relevant data from hard copy documentation kept on file by HQA Committee

was captured for further analysis. This reconstructed data was analyzed to identify trends and anomalies, with results shown below.

Data analytics results

Approximately 670,000 Jordanian Dinar (JD) was disbursed within the 3 years between 2020 and 2022 (totalling 189 loans) with distribution across four categories of: i) Education, ii) Health, iii) House/land purchase, and iv) Construction/maintenance.

On average, amounts requested ranged from JD 1,400 to JD 21,000, with the most frequently asked amounts per PFHRW purpose being: JD 15,000 for primary residency, JD 4,000 for construction/maintenance, JD 1,400 for healthcare and JD 3,000 for education.

The analysis identified that the majority of the applications were for repayment over the maximum allowable term, and about 11% of staff have concurrent PFHRW. Furthermore, of the staff who took PFHRW in 2020-2021, almost three quarters have (mandatory) balances of less than \$10,000. For example, 27.22% staff out of the 125 (who applied for PFHRW in 2021 and 2022) have withdrawn almost all their PF mandatory credit. This practice of staff withdrawing all mandatory contribution may not be in line with the principal objectives of the PFTI and may also present operational challenges should the PF interest become negative.

In the absence of detailed register of PFHRW applications, DIOS created a dataset by extracting information from physical application forms and other relevant supporting documents for 125 PFHRW applications which represented 100% of the total PFHRW disbursed in 2021-2022 and performed a detailed review of underlying supporting documentation. The review showed: insufficient or incomplete information, and similar information used for different education PFHRW. Further details are included in the audit report.

What IAD concluded

DIOS observed significant non-compliance and control deficiencies throughout the process, from initiation (application PFHRWs) to monitoring and follow-up after disbursement to ensure it is used for the intended purposes: Management of loan applications including required register; Approval by HQA committee; Submission of education and health receipts to substantiate utilization; and Annual follow-up by the Central PFHRWC.

These observations led to an unsatisfactory audit rating, which means that "internal controls and risk management practices were not established or not functioning well. A number of high or medium risks were identified that overall, may significantly impact the achievement of the performance and/or compliance objectives in the audited area."

The deficiencies may have contributed to certain identified noncompliance with the PFTI No.1 requirements and a potential case of anomaly in the PFHRW, which will be referred to the Chief Provident Fund Secretariat and DIOS Investigations Division for further assessment (respectively).

Good practices

The HQA Provident Fund Humanitarian Repayable Withdrawals Committee maintains systematically filed physical monthly application records in specific box files. This filing is specific to the Committee, facilitated this review and enabled further potential assessment.

What IAD recommended

1 DIOS made two high-priority recommendations, with the first being the need for HQA Committee to take immediate necessary action to ensure compliance with

the PFTI No. 1, in particular paragraph 15 requirements pertaining to follow-up.

Furthermore, Provident Fund Secretariat should re-assess the Maximum PFHWR Size, part of the General Conditions, to ensure that the operation of the PFHRW scheme remains within the mandate of the PF PFHRW and to manage the risks of staff having insufficient (mandatory) credit, which may affect the investment of the Provident Fund. Specifically, the Provident Fund Secretariat should ensure consistency between the conditions in the Technical Instruction and the utilized management tool for decision-making (Checklist).

In addition, DIOS reiterates the three high-risk recommendations 2 – 4 issued in the audit report 04/2023 *Audit of Provident Fund Humanitarian Repayable Withdrawals at the Lebanon Field Office* dated 9 July 2023, to serve as an overall guide for an overhaul of the control's framework for the PFHRW management's consideration, based on their comprehensive assessment of key objectives and related risks.

What management is doing to address DIOS recommendations.

Since the audit, the Provident Fund Secretariat and Field Committee has undertaken further measures to strengthen adherence to the PFTI, and enhancements to the PFHRW framework are ongoing. DIOS will assess the implementation of recommendations upon bi-annual follow-up basis closure evidence submitted in due course.

Methodology, Approach and Disclosure

The audit focused on providing input to determine the extent of recently identified control deficiencies in the PFHRW process and any potential risk of misconduct, to better support management decision making with respect to overall enhancement in policy and internal mechanism for PFHRW. The audit covered withdrawals disbursed in the period of 2021-2022. A similar audit was also conducted for Lebanon and Gaza field offices.

The approach included inquiries and interviews and discussion with relevant staff, assessing relevant documents, analysis of data obtained, and other procedures deemed necessary.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. It was completed in conformity with the approved work plan and considered the risk assessment exercise conducted prior to the audit.

Pursuant to OD14, this summary of findings and recommendations including management action taken to address recommendations is made publicly available on the DIOS internet page upon issuance of the report on 21st August 2023.