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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Kabul**  
**AF201801**  
**1 - 12 July 2018**

**Issued by the Office of the Inspector General**

**Report on the Audit of IOM Kabul**  
**Executive Summary**  
**Audit File No. AF201801**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Kabul, Islamic Republic of Afghanistan (the “Country Office”) from 1 to 12 July 2018. The internal audit aimed to assess adherence to financial and administrative procedures in conformity with IOM’s regulations and rules and the implementation of and compliance with its internal control system.

Specifically, the audit assessed the risk exposure and risk management of the Country Office’s activities, in order to ensure these are well understood and controlled by the local management and staff. Selected samples from the following areas were reviewed:

- a. Management and Administration
- b. Personnel
- c. Finance and Accounting
- d. Procurement and Logistics
- e. Contracting
- f. Information and Technology
- g. Programme and Operations

The audit covered the activities of the Country Office from January 2107 to June 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 – USD 41,321,364 representing 3 per cent and 15 per cent of IOM Total and Asia and the Pacific Region, respectively.
- January to June 2018 – USD 18,478,250 representing 2 per cent and 10 per cent of IOM Total and Asia and the Pacific Region, respectively.

The last internal audit of the Country Office was 25 to 29 October 2015.

Because of the concept of selective testing of data and inherent limitation of the internal audit work, there is no guarantee that all matters of significance to IOM will be discovered by the internal audit. It is the responsibility of local management of the Country Office to establish and implement internal control systems to assure the achievement of IOM’s objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with relevant laws, regulations and policies. It is also the responsibility of local management to determine whether the areas the internal audit covered, and the extent of verification or other checking included are adequate for local management’s purposes. Had additional procedures been performed, other matters might have come to internal audit attention that would have been reported.

The internal audit was conducted in accordance with the Charter of the Office of the Inspector General and in general conformance with the *International Standards for the Professional Practice of Internal Auditing*.

## Overall audit rating

OIG assessed the Country Office as **partially effective** which means that “while the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes *and* those that are correctly designed are operating effectively”.

This rating was mainly due to weaknesses noted in the following areas:

1. Management of programme
2. Risk Management
3. Procurement planning
4. Warehousing
5. Vendor management
6. Third party agreements
7. Reintegration/resettlement assistance
8. Donor reporting

**Key recommendations: Total = 23; High Priority = 8; Medium Priority = 14; Low Priority =1**

For the high priority recommendations, prompt action is required within three months to ensure that IOM will not be adversely affected in its ability to achieve its strategic and operational objectives.

The High Priority recommendations are presented below:

Two (2) recommendations for Management and Administration, three (3) recommendations for Procurement and Logistics, one (1) recommendation in Contracting and two (2) recommendations for Programme and Operations. These recommendations aim to ensure that the assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.

- Improve overall programme management and coordination.
- Roll out the Risk Management methodology in coordination with the Chief Risk Officer.
- Require Procurement and Programmes to play a more active role in the project life-cycle to prevent bottle-necks.
- Strengthen internal controls and procedures over warehousing.
- Establish a procedure to periodically review the list of active vendors.
- Include additional clauses in third-party agreement for the provision of Human Resources services for stronger risk mitigation measures.
- Coordinate with the relevant departments to clarify the procedures for the provision of reintegration/resettlement assistance and make improvements, if applicable.
- Improve compliance with the project reporting requirements.

There remain another 14 Medium priority recommendations consisting of: 4 recommendations in Management and Administration, 3 recommendations in Personnel, 2 recommendations in Finance and Accounting, 3 recommendations in Procurement and Logistics, 1 recommendation in Contracting, and 1 in Information Technology, which need to be addressed by the Country Office

within one year to ensure that such weaknesses in controls will not moderately affect the Country Office's ability to achieve its entity or process objectives.

Low priority recommendation (not included in this Executive Summary) have been discussed directly with management and actions have been initiated to address them.

**Management comments and action plans**

All 23 recommendations were accepted. Management is in the process of implementation. Comments and/or additional information provided have been incorporated in the report, where appropriate.

This report is intended solely for information and should not be used for any other purpose.

**International Organization for Migration  
Office of the Inspector General**

## **I. About the Country Office**

The main office is located in Kabul, Islamic Republic of Afghanistan. As of June 2018, the Country Office has 482 personnel categorized into: 20 officials, 83 staff and 379 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 – USD 41,321,364 representing 3 per cent and 15 per cent of IOM Total and Asia and the Pacific Region, respectively.
- January to June 2018 – USD 18,478,250 representing 2 per cent and 10 per cent of IOM Total and Asia and the Pacific Region, respectively.

The Country Office has a total portfolio of 84 projects and total budget of USD 81.3 million. The top 2 projects by type:

- 21 Projects for Emergency response and assistance to displaced populations amounting to USD 28.2 million or 35 per cent of the budget.
- 18 Projects on Return and Reintegration assistance for migrants and governments amounting to USD 22.7 million or 28 per cent of the budget.

The last audit was in 25 to 29 October 2015 wherein the overall rating was “Partially Effective”.

Implementation status of previous OIG audit recommendations: Audit Report No. AF201501 - IOM Kabul; Total recommendations: 26; All 26 recommendations had been implemented.

## **II. Scope of the Audit**

### **1. Objective of the Audit**

The internal audit was conducted in accordance with the Charter of the Office of the Inspector General and in general conformance with the *International Standards for the Professional Practice of Internal Auditing*. The focus of the audit was adherence to financial and administrative procedures in conformity with IOM’s rules and regulations and the implementation of and compliance with its internal control system.

### **2. Scope and Methodology**

In compliance with Internal Audit standards, attention was paid to the assessment of risk exposure and the risk management of the Country Office activities in order to ensure that these are well understood and controlled by the local management and staff. Recommendations made during the internal audit fieldwork and in the report aim to equip the local management and staff to review, evaluate and improve their own internal control and risk management systems.

### III. Audit Conclusions

#### 1. Overall Audit Rating

OIG assessed the Country Office as **partially effective** which means that “while the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes, *and* those that are correctly designed are operating effectively.”

### IV. Key Findings and High Priority Recommendations

#### 1. Management of programmes

There is a general delay or low progress in the implementation of a number of projects, and the absence of a fine-tuned project planning along with a lack of a hands-on practice in the management of programmes.

High Priority Recommendation:

- Improve overall programme management and coordination.

#### 2. Risk Management

There was no updated Risk Assessment and Risk Management Plan in place. Funded projects are required also to incorporate additional programmatic safeguards and risk mitigation strategies in the project proposals.

High Priority Recommendation:

- Roll out the Risk Management methodology in collaboration with the Chief Risk Officer.

#### 3. Procurement planning

There is no formal process in place to coordinate and follow-up on the procurement needs between the programmes and procurement.

High Priority Recommendation:

- Require procurement and programmes to play a more active role in the project life-cycle to prevent bottle-necks.

#### 4. Warehousing

There were significant internal control weaknesses noted in warehousing such as lack of segregation of duties and periodic routine physical counts, among others.

High Priority Recommendation:

- Strengthen internal controls and procedures over warehousing.

5. Vendor Management

There is a vetting and screening process whenever commercial relationship is entered with a new Vendor, checking whether it is not included in any sanctions list, and filling up the Vendor Creation Form. However, there is no rechecking being done on active vendors in subsequent commercial transactions especially that the Country Office operates in a volatile environment.

High Priority Recommendation:

- Establish a procedure to periodically review the list of active vendors.

6. Third party agreements

There have been operational challenges being faced with the third party contractor for the provision of human resources services.

High Priority Recommendation:

- Include additional clauses in third-party agreement for the provision of human resources services for stronger risk mitigation measures.

7. Reintegration/Resettlement assistance

Given the high number of beneficiaries assisted combined with the complexity of the procedures followed, there is higher probability of mistakes, oversights, or errors while the effectiveness and efficiency of the process and controls might be impaired.

High Priority Recommendation:

- Coordinate with the relevant departments to clarify the procedures for the provision of reintegration/resettlement assistance and make improvements, if applicable.

8. Donor Reporting

There were repeated and generalized delays in the submission of the reports to the donors, whether interim or final.

High Priority Recommendation:

- Improve compliance with the project reporting requirements.

*Management agreed with the recommendations and is implementing them.*

## ANNEXES

### Definitions

The overall adequacy of the internal controls, governance and management processes, based on the number of audit findings and their risk levels:

<b>Descriptor</b>	<b>Guide</b>
<b>Fully effective</b>	Nothing more to be done except review and monitor the existing controls. Controls are well designed for the risk, address the root causes and Management believes that they are effective and reliable at all times.
<b>Substantially effective</b>	Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness or Management has doubts about operational effectiveness and reliability.
<b>Partially effective</b>	While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes, those that are correctly designed are operating effectively.
<b>Largely ineffective</b>	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
<b>None or totally ineffective</b>	Virtually no credible controls. Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.

### Audit Recommendations – Priorities

The following internal audit rating based on **IOM Risk Management** framework has been slightly changed to crystalize the prioritization of internal audit findings according to their relative significance and impact to the process:

Rating	Definition	Suggested action	Suggested timeframe
<b>Very High</b>	Issue represents a control weakness which could cause <b>critical</b> disruption of the process or <b>critical</b> adverse effect on the ability to achieve entity or process objectives.	Where control effectiveness is not as high as ‘fully effective’, take action to reduce residual risk to ‘high’ or below.	Should be addressed in the short term, normally within 1 month.
<b>High</b>	Issue represents a control weakness which could have <b>major</b> adverse effect on the ability to achieve entity or process objectives.	Plan to deal with in keeping with the annual plan.	Should be addressed in the medium term, normally within 3 months.
<b>Medium</b>	Issue represents a control weakness which could have <b>moderate</b> adverse effect on the ability to achieve entity or process objectives.	Plan in keeping with all other priorities.	Should be addressed normally within 1 year.
<b>Low</b>	Issue represents a minor control weakness, with <b>minimal</b> but reportable impact on the ability to achieve entity or process objective.	Attend to when there is an opportunity to.	Discussed directly with management and actions to be initiated as part of management’s ongoing control.