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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Sarajevo**  
**BA201701**  
**18 - 22 SEPTEMBER 2017**

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

**Report on the Audit of IOM Sarajevo**  
**Executive Summary**  
**Audit File No. BA201701**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM office in Sarajevo, Bosnia and Herzegovina (the “Country Office”) from 18 to 22 September 2017. The internal audit was 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 period covered the activities of the Country Office from 1 January 2016 to 30 September 2017. The office recorded the following expenses based on IOM financial records:

- 2016 - USD 2,940,779 representing 0.2% and 1% of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.
- January to September 2017 - USD 1,916,475 representing 0.2% and 0.7% of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.

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 ensure 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 Office as **substantially effective** which means that “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”.

Most of the controls are designed correctly and are in place and effective, however, some more work needs to be done to improve operating effectiveness in the following areas:

1. Management and Administration
2. Personnel
3. Finance and Accounting
4. Procurement and Logistics
5. Contracting

There was satisfactory performance noted in Information Technology and Programme and Operations.

## **Key recommendations: Total = 13; Medium Priority = 13**

Except in the area of Information Technology and Programme and Administration, the 13 Medium priority recommendations consist of: Five (5) recommendations in Management and Administration; Two (2) in Personnel; Three (3) in Finance and Accounting; Two (2) in Procurement and Logistics; and one (1) in Contracting, 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.

## **Management comments and action plans**

All 13 recommendations were accepted by local management and 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 Office**

The Main Office is located in Sarajevo, Bosnia and Herzegovina. As of 30 September 2017, the Office has 25 personnel categorized into: 2 officials and 23 staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 2016 - USD 2,940,779 representing 0.2% and 1% of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.
- January to September 2017 - USD 1,916,475 representing 0.2% and 0.7% of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.

The Office has a total portfolio of 57 projects and total budget of USD 7,544,939. The top two projects by type:

- 3 Projects for Addressing Violent Extremism amounting to USD 2,051,159 million or 27% of budget.
- 10 Projects on Community Stabilization amounting to USD 1,159,471 million or 15 % of budget.

## **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 Office as **substantially effective** which means that “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”.

2. There was satisfactory performance noted in Information Technology and Programme and Operations.

### IV. Key Findings and Recommendations

Most of the controls are designed correctly and are in place and effective, however, some more work needs to be done to improve operating effectiveness in the following areas:

- a) Management and Administration
- b) Personnel
- c) Finance and Accounting
- d) Procurement and Logistics
- e) Contracting

All 13 recommendations were accepted by the local management and is in the process of 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:

Descriptor	Guide
<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 portray 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.