



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Regional Office Cairo
EG201702
19 - 30 March 2017

Issued by the Office of the Inspector General

Report on the Audit of IOM Regional Office Cairo
Executive Summary
Audit File No. EG201702

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Regional Office of Cairo, The Arab Republic of Egypt (the “Regional Office”) from 19 to 30 March 2017. 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 Regional 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 Regional Office from 1 January 2015 to 31 December 2016. The Regional Office recorded the following expenses based on IOM financial records:

- 2015 – USD 1,600,000 representing less than one per cent of both IOM Total, and Middle East and North Africa Region, respectively.
- 2016 – USD 2,200,000 representing less than one per cent of both IOM Total, and of Middle East and North Africa 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 Regional 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 Regional 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”.

There was satisfactory performance in Contracting and Information Technology.

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

1. Donor reporting
2. Memorandum of understanding with host government
3. Legal presence in Dubai
4. Coordination service fees

Key recommendations: Total = 17; High Priority = 4; Medium Priority = 9; Low Priority =4

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:

1. Two (2) recommendations for Management and Administration aim to ensure quality and timely donor reporting and that IOM operations are effective and efficient.
 - Improve and consistently perform the review and monitoring of reports to donors.
 - Seek assistance from Office of the Director General and Office of the Legal Affairs to resolve the issue of legal presence of the office in Dubai.
2. Two (2) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Regional Office’s financial and operational information.
 - Establish strong financial internal controls and observe proper segregation of duties for IOM operations in Dubai.
 - Implement appropriate coordination service fees and strengthen internal controls over the review and recording of related transactions.

Except in the area of Procurement and Logistics, Contracting, and Information Technology, there remains another nine (9) Medium priority recommendations consisting of: Six (6) recommendations in Management and Administration, one (1) recommendation each in Personnel, Finance and Accounting, and Programme and Operations, which need to be addressed by the Regional Office within one year to ensure that such weaknesses in controls will not moderately affect the Regional Office’s ability to achieve its entity or process objectives.

Low priority recommendations (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

Fourteen (14) recommendations were accepted and management is in the process of implementation. Two (2) recommendations were partially accepted and one (1) recommendation was withdrawn by Internal Audit. 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 Regional Office

The Regional Office is located in Cairo, The Arab Republic of Egypt. As of February 2017, the Regional Office has 18 personnel categorized into: 10 officials, 6 staff and 2 non-staff. The Regional Office recorded the following expenses based on IOM financial records for the following periods:

- 2015 – USD 1,600,000 representing less than one per cent of both IOM Total, and of Middle East and North Africa Region, respectively.
- 2016 – USD 2,200,000 representing less than one per cent of both IOM Total, and of Middle East and North Africa Region, respectively.

The Regional Office has a total portfolio of six projects and total budget of USD 4.3 million. The top two projects by type:

- Two projects for Administrative Budget amounting to USD 1.2 million or 28 % of the budget.
- Four projects on Operational Support Income amounting to USD 3.1 million or 72 % of the 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 Regional 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 Regional 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”.

2. There was satisfactory performance in Contracting and Information Technology.

IV. Key Findings and High Priority Recommendations

1. Donor Reporting

The Regional Office is responsible for project development, endorsement and reporting; resources management and external relations. However, there were weaknesses noted in the review and monitoring of reports to donors such as, but not limited to, the following:

- Function for review and endorsement of donor reports is not consistently included in the terms of reference of the designated reviewer.
- There were noted inconsistencies in the manner of reviewing the financial section of the reports.
- Lapses in oversight and timeliness of reporting.

High Priority Recommendation:

- Review and amend the terms and reference to reflect the actual duties and responsibilities of the designated reviewer.
- Improve the review and monitoring of reports to donors.

Management agreed with the recommendations and is implementing them.

2. Memorandum of Understanding with the Government of United Arab Emirates

Effective January 2014, the management of IOM operations in Dubai was transferred from the Country Office in Kabul to the Regional Office in Cairo. However, the issue of the legality of IOM's presence in Dubai still persists. Action has been initiated and continuous follow ups have been made but the issue has remained unresolved.

High Priority Recommendation:

- Seek assistance from Office of the Director General and Office of Legal Affairs to resolve the issue of legal presence of the office in Dubai.

Management agreed with the recommendations and is implementing them.

3. Legal presence in Dubai

Due to the lack of legal presence in Dubai, IOM operations are very limited. IOM is also reliant on a third party to enter into contractual obligations on its behalf. As such, there were noted weaknesses in financial controls and segregation of duties issues.

High Priority Recommendation:

- The Regional Office should establish strong financial internal controls and observe proper segregation of duties for IOM operations in Dubai.

Management has partially agreed with the recommendations and has implemented them.

4. Coordination Service Fee

There were inaccuracies noted in the calculation of coordination service fees billed to other Country Offices. Internal control weakness in the review and recording of transactions in the IOM's reporting system was also noted.

High Priority Recommendation:

- Implement appropriate coordination service fees and strengthen internal controls over the review and recording of related transactions.

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:

Descriptor	Guide
Fully effective	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.
Substantially effective	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.
Partially effective	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.
Largely ineffective	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
None or totally ineffective	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
Very High	Issue represents a control weakness which could cause critical disruption of the process or critical 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.
High	Issue represents a control weakness which could have major 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.
Medium	Issue represents a control weakness which could have moderate 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.
Low	Issue represents a minor control weakness, with minimal 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.