IOM International Organization for Migration

EXECUTIVE SUMMARY

INTERNAL AUDIT REPORT

IOM Bissau

GW201801

18 - 22 June 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Bissau
Executive Summary
Audit File No. GW201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Bissau, Guinea (the "Country Office") from 18 to 22 June 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 June 2016 to June 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2016 – USD 377,924 representing 0.024 per cent and 0.38 per cent of IOM Total and Central and West African Region, respectively.
- 2017 – USD 510,372 representing 0.032 per cent and 0.47 per cent of IOM Total and Central and West African 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 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 Office as **largely ineffective** which means that “significant control gaps exist. Either controls do not treat root causes or they do not operate at all effectively”.

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

1. Financial accounting
2. Strategic plan
3. Delegation of authority matrix
4. Standard operating procedures
5. Staff contracts
6. Medical service plan
7. Payroll administration
8. Dual signatory
9. Petty cash administration
10. Budget monitoring
11. Cash advances to sub-offices
12. Procurement process
13. Asset management
14. Vendor management
15. Programme management and implementation

Key recommendations: Total = 24; Very High Priority = 1; High Priority = 14; Medium Priority = 9

Very High Priority Recommendation

Prompt action is required within one month to ensure that processes will not be critically disrupted and IOM will not be ***critically*** adversely affected in its ability to achieve its strategic and operational objectives.

There is one (1) Very High Priority recommendation in Finance and Accounting, as follows:

- Ensure full compliance with IOM guidelines and accounting principles.

High Priority Recommendation

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:

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

- Develop a strategic plan outlining the direction of the Country Office in the coming years.
- A delegation of authority matrix should be put in place and disseminated to all staff.
- Develop internal instructions and rollout training sessions to staff in order to enhance the regulatory framework and to achieve a higher degree of compliance with IOM Regulations.
- Efforts should be undertaken to regularize these inappropriate staff contracts as soon as possible.
- Fully comply with IOM guidelines for medical service plan.
- Fully comply with IOM guidelines on payroll processing and maintain proper payroll recordkeeping.
- Establish a proper purchase authorization matrix and enforce compliance with IOM guidelines on procurement.
- Perform physical count and tagging of assets, and update records accordingly.
- Perform vendor screening and vendor post evaluation following IOM guidelines.
- Establish an effective monitoring mechanism to ensure that no over or underspending occur and that project costs are adequately budgeted and correctly projectized.

2. Four (4) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.

    - Establish an adequate signatory panel where panels A and B are constituted based on a correct segregation of duties.
    - Petty cash purchases should follow the normal verification and authorization process, and adequate supporting documents should be provided at all times.
    - Develop forecast and monitoring tool for accurate information on remaining budgets.
    - Provide sub-office staff access to the local branch instead of providing large cash advances directly.

There remain another nine 9 Medium priority recommendations consisting of 3 recommendations each in Management and Administration and Personnel, and 1 recommendation each in Procurement and Logistics, Contracting, and 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.

There were no low priority recommendations noted.

Management comments and action plans

17 out of the 24 recommendations were implemented and closed as of 30 September 2019. Management is in the process of completing the remaining recommendations. 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 Bissau, Guinea. As of June 2018, the Country Office has 13 personnel categorized into: 1 official, 11 staff, and 1 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2016 – USD 377,924 representing 0.024 per cent and 0.38 per cent of IOM Total and Central and West African Region, respectively.
- 2017 – USD 510,372 representing 0.032 per cent and 0.47 per cent of IOM Total and Central and West African Region, respectively.

The Country Office has a total portfolio of 7 projects and a total budget of USD 4,577,870. The top 2 projects by type:

- 2 projects for Return and Reintegration amounting to USD 2,887,853 million or 63 per cent of the budget.
- 1 project on Community and Economic Development amounting to USD 1,064,319 million or 23.25 per cent 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 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 **largely ineffective** which means that "significant control gaps exist. Either controls do not treat root causes or they do not operate at all effectively".

IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendation

1. Financial accounting
   Significant weaknesses in financial controls and errors in accounting were noted. Some transactions were not properly supported.

   Very High Priority Recommendation:
   - Ensure full compliance with IOM guidelines and accounting principles.

II. High Priority Recommendations

1. Strategic plan
   The Country Office has not yet developed a multi-annual strategic plan, outlining its short, medium, and long-term programming goals and objectives.

   High Priority Recommendation:
   - Develop a strategic plan outlining the direction of the Country Office in the coming years.

2. Delegation of authority matrix
   There is no delegation of authority matrix that is formally endorsed and disseminated to staff.

   High Priority Recommendation:
   - A delegation of authority matrix should be put in place and disseminated to all staff.

3. Standard operating procedures
   The Country Office has very little local standard operating procedures or instructions in force, which considerably weakens its internal controls and compromises the compliance with institutional guidance.

   High Priority Recommendation:
   - Develop internal instructions and rollout training sessions to staff in order to enhance the regulatory framework and to achieve a higher degree of compliance with IOM regulations.

4. Staff contracts
   Some local employees are on special all-inclusive contracts which means they were hired directly and did not follow proper selection process.

   High Priority Recommendation:
   - Efforts should be undertaken to regularize these inappropriate staff contracts as soon as possible.

5. Medical service plan
   Three eligible staff members are still not enrolled in the medical service plan despite being hired as early as November 2015.

   High Priority Recommendation:
   - Fully comply with IOM guidelines for medical service plan.

6. Payroll administration
   Until June 2018 all payroll related functions of the Country Office were done by the Regional Office. Since there was no preliminary processing done by the Country Office and no payroll records kept, there was no assurance that proper control or verification was done prior to entry in system by the Regional Office.

   High Priority Recommendation:
   - Fully comply with IOM guidelines on payroll processing and maintain proper payroll recordkeeping.

7. Dual signatory
   There are three authorized signatories to the bank account, including the Chief of Mission. However, there is no dual bank signatory panel in place which means that checks can be signed even without the Chief of Mission's knowledge.

   High Priority Recommendation:
   - Establish an adequate signatory panel where panels A and B are constituted based on a correct segregation of duties.

8. Petty cash administration
   There were significant internal control deficiencies noted in petty cash administration.

   High Priority Recommendation:
   - Petty cash purchases should follow the normal verification and authorization process, and adequate supporting documents should be provided at all times.

9. Budget monitoring
   There is no proper budget monitoring tool in place which is updated on a monthly basis in order to provide information on budgets available for the coming months or year.

   High Priority Recommendation:
   - Develop forecast and monitoring tool for accurate information on remaining budgets.

10. Cash advances to sub-office
    Large imprest cash advances are given to staff members of a particular sub-office for financing its operations despite the presence of a local branch of the IOM Bissau's bank in the same vicinity.

High Priority Recommendation:

- Provide sub-office staff access to the local branch instead of providing large cash advances directly.

11. Procurement process
    There are several internal control deficiencies resulting from the lack of internal purchase authorization matrix in place.

    High Priority Recommendation:

    - Establish a proper purchase authorization matrix and enforce compliance with IOM guidelines on procurement.

12. Asset management
    Assets, including those assigned to a third party contracted personnel, have not been properly tagged and their respective location and information updated in the asset master records.

    High Priority Recommendation:

    - Perform physical count and tagging of assets and update records accordingly.

13. Vendor management
    There was no vendor assessment and gathering of information before a new vendor account is created in the system. There is also no vendor post evaluation process in place.

    High Priority Recommendation:

    - Perform vendor screening and vendor post evaluation following IOM guidelines.

14. Programme management and implementation
    There was no documented and systematic budget monitoring/expenditure review being done in coordination with the Programme Managers/Operations.

    High Priority Recommendation:

    - Establish an effective monitoring mechanism to ensure that no over or underspending occur and that project costs are adequately budgeted and correctly projectized.

Management agreed with the recommendations. Of the 14 key findings and very high and high priority recommendations presented, only 2 remain open and are in the process of implementation, related to strategic plan, and asset management.

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.