



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Kingston
JM201701
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Issued by the Office of the Inspector General

Report on the Audit of IOM Kingston
Executive Summary
Audit File No. JM201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Kingston, Jamaica (the “Country Office”) from 17 to 21 July 2017. The internal audit was aimed to assess adherence to financial and administrative procedures in conformity with IOM’s regulations 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 Technology
- g. Programme and Operations

The audit covered the activities of the Country Office from 1 July 2015 to 30 June 2017. The office recorded the following expenses based on IOM financial records:

- 1 July to 31 December 2015 - USD 550,739 representing less than one per cent and 1 % of IOM Total and Central and North America and the Caribbean Region, respectively.
- 2016 - USD 960,592 representing less than one per cent and 1 % of IOM Total, and of Central and North America and the Caribbean Region, respectively.
- 1 January to 30 June 2017 – USD 575,109 representing less than one per cent and 1 % of IOM Total, and of Central and North America and the Caribbean 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. Bank reconciliation
2. Procurement
3. Delegation of authority
4. Third party service providers
5. Security
6. Online banking payments
7. Petty cash fund
8. Flight ticket purchases

Key recommendations: Total = 16; Very High Priority = 2; High Priority = 6; Medium Priority = 8

Very High Priority Recommendations

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 are two (2) Very High Priority recommendations consisting of one (1) recommendation each for Finance and Accounting and Procurement and Logistics. These are as follows:

1. Immediately perform bank reconciliation of the bank accounts with recorded book balances.
2. Full compliance with IOM rules and regulations on procurement.

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:

- I. Three (3) recommendations for Management and Administration and one (1) in Procurement and Logistics. These recommendations aim to ensure that the assets of IOM are properly safeguarded and IOM operations are efficient and effective.
 - Formalize the Delegation of Authority matrix and communicate this to all staff.
 - A replacement vendor should be identified before the notice of contract cancellation gets communicated to the current service provider to ensure continuity of service.
 - Minimum Operating Security Standards compliance be re-evaluated in light of this recent incident; all employees should complete the required security trainings.
 - Document process for the purchase of airline tickets in a step-by-step approach identifying roles and responsibilities over each task.

- II. Two (2) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
- Country Office should establish control procedures to ensure that all payments have been entered in the general ledger system.
 - Full compliance with IOM regulations and on petty cash fund management.

There was satisfactory performance in Information Technology.

Except in the area of Management and Administration and Information Technology, there remains another eight (8) Medium priority recommendations consisting of: Two (2) in Personnel; Two (2) in Finance and Accounting; Two (2) in Procurement and Logistics; One (1) in Contracting; and One (1) in Programme and Operations, 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

Management accepted all 16 recommendations 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 Kingston, Jamaica. As of 30 June 2017, the Office has 17 personnel categorized into: 15 staff and 2 non-staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 1 July to 31 December 2015 - USD 550,739 representing less than one per cent and 1 % of IOM Total, and of Central and North America and the Caribbean Region, respectively.
- 2016 - USD 960,592 representing less than one per cent and 1 % of IOM Total, and of Central and North America and the Caribbean Region, respectively.
- 1 January to 30 June 2017 – USD 575,109 representing less than one per cent and 1 % of IOM Total, and of Central and North America and the Caribbean Region, respectively.

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

- One project for Migrant Processing and Integration amounting to USD 1.4 million or 73% of the budget.
- Three projects on Community and Economic Development amounting to USD 324,366 or 16% 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”.

2. There was satisfactory performance in Information Technology.

IV. Key Findings and Very High and High Priority Recommendations

Very High Priority Recommendations

1. Bank reconciliation

Several bank accounts remain unreconciled with recorded book balances since December 2015.

Very High Priority Recommendation:

- Immediately perform bank reconciliation of the bank accounts with recorded book balances.

Management agreed with the recommendations and is implementing them.

2. Procurement

There were significant weaknesses noted in the procurement process.

Very High Recommendation:

- Full compliance with IOM regulations and rules on procurement.

Management agreed with the recommendations and is implementing them.

High Priority Recommendations

1. Delegation of authority

There was no written Delegation of Authority matrix in place.

High Priority Recommendation:

- Formalize the Delegation of Authority matrix and communicate these to all staff.

Management agreed with the recommendations and is implementing them.

2. Third party service providers

The Country Office is in the process of addressing the fraud incidents committed by some third-party service providers.

High Priority Recommendation:

- A replacement vendor should be identified before the notice of contract cancelation gets communicated to the current service provider to ensure continuity of service.

Management agreed with the recommendations and is implementing them.

3. Security

There was a reported security risk at the building entrance. In addition, not all employees have completed the required United Nations Department of Safety and Security training.

High Priority Recommendations:

- Minimum Operating Security Standards compliance be re-evaluated in light of this recent incident.
- All employees should complete the required security trainings.

Management agreed with the recommendations and is implementing them.

4. Online banking payments

There are no sufficient reviews or controls to ensure completeness, existence and accuracy of journal entries made for online banking payments in the general ledger system.

High Priority Recommendation:

- The Country Office should establish control procedures to ensure that all payments have been entered in the general ledger system.

Management agreed with the recommendations and is implementing them.

5. Petty Cash fund

There were several weaknesses noted in petty cash fund management.

High Priority Recommendation:

- Full compliance with IOM regulations and rules on petty cash fund management.

Management agreed with the recommendations and is implementing them.

6. Flight ticket purchases

There were noted deficiencies in the supports of flight ticket purchases.

High Priority Recommendation:

- Document process for the purchase of airline tickets in a step-by-step approach identifying roles and responsibilities over each task.

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.