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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Kuala Lumpur**  
**MY201801**  
**16 - 20 April 2018**

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

**Report on the Audit of IOM Kuala Lumpur**  
**Executive Summary**  
**Audit File No. MY201801**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Kuala Lumpur, Malaysia (the “Country Office”) from 16 to 20 April 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 February 2016 to March 2018. The Country Office recorded the following expenses based on IOM financial records:

- February to December 2016 - USD 11,174,263 representing 0.75 per cent and 4.29 per cent of IOM Total and Asia and Pacific Region, respectively.
- 2017 - USD 6,573,257 representing 0.041 per cent and 2.35 per cent of IOM Total and Asia and Pacific Region, respectively.
- January to March 2018 - USD 1,308,947 representing 0.32 per cent and 1.67 per cent of IOM Total and Asia and Pacific 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 **substantially effective** which means “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.”

The rating was due to the findings which were mostly Medium and Low risks except for one high risk exposure in respect of the Country Office’s legal status.

**Key recommendations: Total = 14; High Priority =1; Medium Priority = 9; Low Priority =4**

For the high priority recommendation, 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 one (1) High Priority recommendation for Management and Administration<sup>1</sup> which aims to ensure that the assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.

There remain another 9 Medium priority recommendations consisting of: 3 recommendations in Management and Administration, 1 recommendation each in Finance and Accounting, Procurement and Logistics, Information Technology, and Programme and Operations, and 2 recommendations 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.

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

It is also noteworthy that the Country Office has an effective Human Resource system in place despite its lack of legal status.

## Management comments and action plans

All 14 recommendations were implemented and closed as of 31 May 2020. Management is in the process of implementing the one remaining recommendation. 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.

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<sup>1</sup> The high priority recommendation under Management and Administration was not presented in the executive summary, according to the provisions of IB/78 “Disclosure of IOM Internal Audit Reports”.

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

**I. About the Country Office**

The main office is located in Kuala Lumpur, Malaysia. As of March 2018, the Country Office has 87 personnel categorized into: 5 officials, 17 non-staff, 16 hourly staff and 49 third party contracted staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- February to December 2016 - USD 11,174,263 representing 0.75 per cent and 4.29 per cent of IOM Total and Asia and Pacific Region, respectively.
- 2017 - USD 6,573,257 representing 0.041 per cent and 2.35 per cent of IOM Total and Asia and Pacific Region, respectively.
- January to March 2018 - USD 1,308,947 representing 0.32 per cent and 1.67 per cent of IOM Total and Asia and Pacific Region, respectively.

The Country Office has a total portfolio of 45 projects and total budget of USD 23,087,036. The top 2 projects by type:

- 13 Projects for Resettlement amounting to USD 13,591,144 or 58.87 per cent of the budget.
- 9 Projects on Medical Health Assessment amounting to USD 7,195,509 or 31.17 per cent 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 “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.”

### IV. Key Findings and High Priority Recommendations

The high key finding, and high priority recommendation is “for the record”, thus, not presented in the summary.

*Management agreed with the recommendations, all 14 recommendations have been closed and implemented as of 30 June 2020.*

## 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.