IOM International Organization for Migration

EXECUTIVE SUMMARY

INTERNAL AUDIT REPORT

IOM Abuja

NG201801

18 - 29 June 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Abuja
Executive Summary
Audit File No. NG201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Abuja, Nigeria (the "Country Office") from 18 to 29 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 May 2018. The Country Office recorded the following expenses based on IOM financial records:

- June to December 2016 – USD12,879,237 representing 1.30 per cent and 20.60 per cent of IOM Total and Central and West Africa Region, respectively.
- 2017 – USD 28,401,426 representing 1.78 per cent and 26.40 per cent of IOM Total and Central and West Africa Region, respectively.
- January to May 2018 – USD 20,712,135 representing 2.93 per cent and 31.91 per cent of IOM Total and Central and West Africa Region, respectively.

The last internal audit of the Country Office was 16 to 20 November 2015.

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. Administration of hourly staff
2. Procurement process
3. Trust fund project
4. Risk management
5. Delegation of authority matrix
6. Recruitment process
7. Payment of danger pay
8. Banking process
9. Oversight of implementing partners
10. Bank deposits
11. Cash management
12. Humanitarian hub revenue management
13. Vendor sanctions
14. Procurement capacity
15. Fuel management
16. Monitoring of contractual performance
17. Grant making framework
18. Grant monitoring process
19. Project implementation

Key recommendations: Total = 39; Very High Priority = 3; High Priority = 17; Medium Priority = 17; Low Priority = 2

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 three (3) Very High Priority recommendations consisting of one (1) recommendation each for Personnel, Procurement and Logistics, and Programme and Operations. These are as follows:

o Adequate controls over the administration of hourly staff should be put in place to mitigate the risks associated to recruitment, grading/classification, recording and payroll.
o Institute appropriate supervisory controls to enhance competitiveness and reliability of the procurement process.
o Develop a system of tracking the expenditure in order to reasonably balance the amount of spending on each case and accord all the eligible returnees' fair and equal opportunity.

High Priority Recommendations

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:

I. Three (3) recommendations for Management and Administration[1], two (2) recommendations for Personnel, three (3) recommendations in Procurement and Logistics, one (1) recommendation in Contracting, and three (3) in Programme and Operations. These recommendations aim to ensure that the assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.

- o Engage in a more thorough risk assessment under the guidance of the Chief Risk Officer.
- o Review and update the delegation of authority matrix to attain work efficiency, and an all-inclusive and comprehensive matrix.
- o The requesting units should properly coordinate all their staffing needs with the Human Resources unit and closely monitor its progress to ensure that recruitment is finalized within a reasonable timeframe.
- o Correct the erroneous calculation of danger pay and ensure timeliness of recording.
- o Ensure future incidences are properly and promptly reported for effective monitoring of blacklisted vendors.
- o Seek assistance to help find a suitable person to fill-up critical positions and improve the coordination between Procurement Unit and project teams for the development of a procurement plan.
- o The sub-office should establish a procedure to ensure that the delivery of fuel and its consumption are properly tracked and recorded.
- o Strengthen internal controls over the monitoring of contracts and develop a tracking tool to monitor the status of contracts on a regular basis.
- o Institute measures to ensure timely completion of the remaining activities, including close oversight of non-state actors' activities.
- o The non-state actors fund should strengthen its monitoring and supervision framework.
- o Create a system that monitors progress in each project plan, identifies limitations and anticipates delays so that appropriate measures can be taken throughout the project life cycle.

II. Five (5) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.

- o Fully comply with IOM guidelines on bank payment processing particularly in granting temporary access, maintenance of bank signatory panel, and recording of bank account.

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[1] Out of the three recommendations under Management and Administration, one recommendation was not presented in the executive summary, according to the provisions of IB/78 "Disclosure of IOM Internal Audit Reports".

- o Fully comply with IOM guidelines for accounting for implementing partner transfers to ensure the correct application of financial procedures.
- o Establish controls to ensure that only valid transactions are recorded in this suspense account and that old outstanding items are regularly reviewed and cleared.
- o A separate petty cash account for the sub-office and adequate safeguards over cash management should be put in place to allow proper oversight over cash and ensure the validity of cash transactions.
- o Improve the controls over humanitarian hub revenue management by reaching out to another Country Office, which has an effective automated management system and establishing adequate procedures for its effective implementation.

There remain another 17 Medium priority recommendations consisting of: 5 recommendations in Personnel, 4 recommendations in Finance and Accounting, 2 recommendations in Procurement and Logistics, 3 recommendations in Contracting, 1 recommendation in Information Technology, and 2 recommendation 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.

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

Management comments and action plans

All 39 recommendations were accepted. A follow-up audit was conducted January 2020 and indicated that out of the 39 recommendations only 3 remain in progress. The Senior Management of the CO is encouraged to implement the remaining open 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 Abuja, Nigeria. As of May 2018, the Country Office has 797 personnel categorized into: 47 officials, 161 staff and 589 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- June to December 2016 – USD12,879,237 representing 1.30 per cent and 20.60 per cent of IOM Total and Central and West Africa Region, respectively.
- 2017 – USD 28,401,426 representing 1.78 per cent and 26.40 per cent of IOM Total and Central and West Africa Region, respectively.
- January to May 2018 – USD 20,712,135 representing 2.93 per cent and 31.91 per cent of IOM Total and Central and West Africa Region, respectively.

The Country Office has a total portfolio of 82 projects and total budget of USD 79,613,203. The top 2 projects by type:

- 29 projects for Emergency Response and Assistance to Displaced Populations amounting to USD 47,312,291 or 59 per cent of the budget.
- 4 projects for Return and Reintegration Assistance for Migrants and Governments amounting to USD 8,301,705 or 10 per cent of the budget.

The last audit was in 16 to 20 November 2015 wherein the overall rating was "Substantially Effective".

Implementation status of previous OIG audit recommendations: Audit Report No. NG201501 - IOM Abuja; Total recommendations: 25; All 25 accepted recommendations had been implemented.

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

Very High Priority Recommendations

1. Administration of hourly staff
    There were a number of deficiencies noted in the management of hourly contracted staff who were mostly deployed to assist in the emergency response, which exposes the Country Office to higher risks, such as conflict of interest or collusion and possibly the existence of ghost workers.

    Very High Priority Recommendation:
    - o   Adequate controls over the administration of hourly staff should be put in place to mitigate the risks associated to recruitment, grading/classification, record keeping and payroll.

2. Procurement process
    The reliability of the procurement of goods and services in one of the sub-offices was highly compromised due to the inability of the office to receive adequate number of reliable, independent and genuine bids, mainly arising from under developed market environment where the sub-office operates.

    Very High Priority Recommendation:
    - o   Institute appropriate supervisory controls to enhance competitiveness and reliability of the procurement process.

3. Trust Fund project
    The structure and design of the reintegration assistance under the framework of a certain trust fund could lead to poor project delivery due to foreseeable budget deficit.

    Very High Priority Recommendation:
    - o   Develop a system of tracking the expenditure in order to reasonably balance the amount of spending on each case and accord all the eligible returnees' fair and equal opportunity.

High Priority Recommendations

1. Risk Management
   There is an insufficient alignment between risk management in the Country Office's operations and decision making, which may adversely impact project delivery and could result in financial loss and reputational risks.

   High Priority Recommendation:
   - o Engage in a more thorough risk assessment under the guidance of the Chief Risk Officer.

2. Delegation of Authority matrix
   A review of the Delegation of Authority matrix last updated in May 2018 indicated opportunities for improvement to ensure that it is comprehensive, practical and effective.

   High Priority Recommendation:
   - o Review and update the delegation of authority matrix to attain work efficiency, and an all-inclusive and comprehensive matrix.

3. Recruitment process
   There were delays and lapses noted in the recruitment process resulting to numerous open vacancies in the Country Office, mostly based in the sub-offices.

   High Priority Recommendation:
   - o The requesting units should properly coordinate all their staffing needs with the Human Resource unit and closely monitor its progress to ensure that recruitment is finalized within a reasonable timeframe.

4. Payment of danger pay
   Issues were identified in terms of validity of the danger pay calculation and on the timeliness of recording.

   High Priority Recommendation:
   - o Correct the erroneous calculation of danger pay and ensure timeliness of recording.

5. Banking process
   Control lapses were noted in the banking process such as documentation in providing temporary access to the online banking platform, the composition of the bank signatory panel, and recording of bank account.

   High Priority Recommendation:
   - o Fully comply with IOM guidelines on bank payment processing particularly in granting temporary access, maintenance of bank signatory panel, and recording of bank account.

6. Oversight over implementing partners
Lapses were noted in the disbursement of funds to implementing partners and in the exercise of financial oversight to ensure efficient use of the resources advanced.

High Priority Recommendation:
- o Fully comply with IOM guidelines for accounting for implementing partner transfers to ensure the correct application of financial procedures.

7. Bank deposits
Bank deposits which could not be matched against the medical examinations performed, lacks adequate monitoring resulting to old outstanding items temporarily charged to a suspense account.

High Priority Recommendation:
- o Establish controls to ensure that only valid transactions are recorded in this suspense account and that old outstanding items are regularly reviewed and cleared.

8. Cash management
Lapses were noted in the cash handling procedures in one of the sub-offices.

High Priority Recommendation:
- o A separate petty cash account for the sub-office and adequate safeguards over cash management should be put in place to allow proper oversight over cash and ensure the validity of cash transactions.

9. Humanitarian hub revenue management
The controls over humanitarian hub revenue management were found to be weak. There was no reliable system of recording, tracking, reconciliation of revenue and prompt deposit of cash collections.

High Priority Recommendation:
- o Improve the controls over humanitarian hub revenue management by reaching out to another Country Office which has an effective automated management system and establishing adequate procedures for its effective implementation.

10. Vendor sanctions
The Country Office did not follow the proper protocol when blacklisting vendors found culpable for collusion and conflict of interest.

High Priority Recommendation:
- o Ensure future incidences are properly and promptly reported for effective monitoring of blacklisted vendors.

11. Procurement capacity
There were concerns on the ability of the Procurement Unit to support the delivery of emergency projects, border management projects and complex projects in general due to inadequate staffing and absence of proper procurement planning.

High Priority Recommendation:
- o Seek assistance to help find a suitable person to fill-up critical positions and improve the coordination between Procurement Unit and project teams for the development of a procurement plan.

12. Fuel management
There were noted weaknesses in internal controls over the fuel handling process in Maiduguri sub-office such as reception of fuel deliveries, fuel consumption, record keeping, physical verification and access.

High Priority Recommendation:
- o The sub-office should establish a procedure to ensure that the delivery of fuel and its consumption are properly tracked and recorded.

13. Monitoring of contractual performance
While the Country Office implements a substantial amount of construction activities which involves extensive contracting arrangements, a review of open construction purchase orders disclosed weaknesses arising from ineffective monitoring of contractual performance which may result to potential contractual disputes and poor project performance.

High Priority Recommendation:
- o Strengthen internal controls over the monitoring of contracts and develop a tracking tool to monitor the status of contracts on a regular basis.

14. Grant making framework
The grant management element of a project, which involved the grant making and the management of the non-state actors fund faced myriad of challenges that impacted on the timely and successful project delivery.

High Priority Recommendation:
- o Institute measures to ensure timely completion of the remaining activities, including close oversight of non-state actors' activities.

15. Grant monitoring process
Despite the establishment of monitoring guidelines to streamline the oversight of the non-state actors' project implementation, the actual monitoring process was ineffectual to provide substantive feedback on the status and/or outcome of the ongoing activities.

High Priority Recommendation:
- o The non-state actors fund should strengthen its monitoring and supervision framework.

16. Delays in project implementation
The implementation of a number of projects were lagging behind schedule. Additionally, a number of emergency projects were underspent, partly due to factors beyond the Country Office's control.

High Priority Recommendation:
- o Create a system that monitors progress in each project plan, identifies limitations and anticipates delays so that appropriate measures can be taken throughout the project life cycle.

Management agreed with the recommendations. Out of the 16 key findings and very high and high priority recommendations presented, 3 remain open and are in the process of implementation, related to risk management, bank deposits, and grant making framework.

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.