



International Organization for Migration (IOM)

The UN Migration Agency

**EXECUTIVE SUMMARY**

**INTERNAL AUDIT REPORT**

**IOM Oslo**

**NO201901**

**20 - 24 May 2019**

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

**Report on the Audit of IOM Oslo**  
**Executive Summary**  
**Audit File No. NO201901**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Oslo (the “Country Office”) from 20 to 24 May 2019. The internal audit aimed to assess 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.

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 April 2017 to March 2019. The Country Office recorded the following expenses based on IOM financial records:

- 1 April 2017 to 31 March 2018 – USD 7,002,631 representing 0.43 per cent and 3.55 per cent of IOM Total and European Economic Area and Switzerland Region, respectively.
- 1 April 2018 to 31 March 2019 – USD 5,454,987 representing 0.29 per cent and 2.68 per cent of IOM Total and European Economic Area and Switzerland 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 Country 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”.*

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

1. Risk management
2. Organizational structure
3. Delegation of authority matrix
4. Office sustainability
5. National Insurance Scheme
6. Salary Scale
7. Cash delivery process
8. Cash management
9. Controls over financial transactions
10. Activation of projects
11. Donor reporting
12. Completed projects
13. Administration of migrants' physical files

**Key recommendations: Total = 38; High Priority = 13; Medium Priority = 20; Low Priority =5**

### **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 High Priority recommendations are presented below:

1. There are five 5 recommendations in Management and Administration, 4 recommendations in Programme and Operations, and 1 recommendation in Personnel. 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.
  - Conduct a risk assessment workshop to identify the risks affecting its operations.
  - Update the organization chart and align with actual reporting and terms of reference.
  - Review and update the delegation of authority matrix to address the conflicting duties for delegated functions.
  - Conduct a sustainability assessment and cost benefit analysis to define the envisioned positioning of the country office in the region in terms of donor resource mobilization function.
  - Identify issues, if any, which may potentially materialize from previous National Insurance Scheme practice.
  - Continue to aim for a healthy working environment and work productivity and immediately address staff issues on salary scale, if any.
  - Prioritize timely project creation and activation.
  - Prioritize accounts reconciliation to ensure that expenses are fully accounted for, appropriate invoicing is executed, and actual project balance is obtained to facilitate donor reporting.

- Strengthen internal controls over project closure specifically in accounts review, reconciliation of project balances, and recording of adjustments/receivables/refund.
  - Review the filing procedures and observe data protection principles and proper retention period of migrants' physical files.
2. Three (3) recommendations on Finance and Accounting is directed towards the enhancement of the reliability and integrity of the country office's financial and operational information.
- Establish policies, procedures and controls over the cash delivery process and update the terms of agreement with the delivery contractor.
  - Strictly comply with IOM's Financial Management Rules and Procedures for an effective and efficient cash management.
  - Review the end to end accounting processes and align with IOM financial management guidelines.

There remain 20 Medium priority recommendations consisting of: 8 recommendations in Finance and Accounting, 4 recommendations in Programme and Operations, 3 recommendations in Personnel, 2 recommendation each in Procurement and Logistics and Information Technology, and 1 recommendation each 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.

Five (5) Low priority recommendations (not included in this Executive Summary) had been discussed directly with management and actions had been initiated to address them.

#### **Management comments and action plans**

Out of the 38 recommendations 34 had been implemented and closed as of September 2020. 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 Oslo, Norway. As of 6 May 2019, the Country Office has 29 personnel consisting of 4 officials, 19 staff and 6 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 1 April 2017 to 31 March 2018 – USD 7,002,631 representing 0.43 per cent and 3.55 per cent of IOM Total and European Economic Area and Switzerland Region, respectively.
- 1 April 2018 to 31 March 2019 – USD 5,454,987 representing 0.29 per cent and 2.68 per cent of IOM Total and European Economic Area and Switzerland Region, respectively.

The Country Office has a total portfolio of 16 projects and total budget of USD 16,119,444. The top 2 projects by type:

- 7 Projects for Return and Reintegration Assistance for Migrants and Governments amounting to USD 9,883,130.57 or 61 per cent of the budget.
- 3 Projects for Resettlement Assistance amounting to USD 2,850,672.69 or 18 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 Country 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”.*

#### **IV. Findings and High Priority Recommendations**

##### **1. Risk management**

A comprehensive risk assessment of the overall operations of IOM Oslo has not been undertaken.

High Priority Recommendation:

- Conduct a risk assessment workshop to identify the risks affecting its operations.

##### **2. Organizational structure**

Gaps were identified in the organizational structure impacting work efficiencies, staff motivation, and segregation of duties.

High Priority Recommendation:

- Update the organization chart and align with actual reporting and terms of reference.

##### **3. Delegation of authority matrix**

The delegation of authority matrix is inadequate and outdated. There were concerns in conflicts of duties for delegated functions.

High Priority Recommendation:

- Review and update the delegation of authority matrix to address the conflicting duties for delegated functions.

##### **4. Office sustainability**

IOM Oslo is dependent on a single large donor and lacks projects under development which puts pressure on the overall operations' sustainability.

High Priority Recommendation:

- Conduct a sustainability assessment and cost benefit analysis to define the envisioned positioning of the country office in the region in terms of donor resource mobilization function.

##### **5. National Insurance Scheme**

Prior to January 2019, IOM Oslo adheres to National Insurance Scheme and contributes the employers' share both for compulsory and voluntary members. However, only the contributions for voluntary members are remitted to National Insurance Scheme. The contributions for compulsory members are retained by the country office. These unremitted contributions have been subsequently remitted.

**High Priority Recommendation:**

- Identify issues, if any, which may potentially materialize from previous National Insurance Scheme practice.

**6. Salary Scale**

As part of the implementation of Unified Staff Regulations and Rules in January 2019, the salary scale was revised from gross to net basis due to the income tax exempt status of staff. Such transition resulted in a number of staff leaving the organization and disparity in take home pay. The disparities in the salary scales have already been addressed.

**High Priority Recommendation:**

- Continue to aim for a healthy working environment and work productivity and immediately address staff issues on salary scale, if any.

**7. Cash delivery process**

There were gaps noted in the cash delivery process and sampled accounting transactions. The terms of agreement with the delivery contractor for financial services are also outdated.

**High Priority Recommendation:**

- Establish policies, procedures and controls over the cash delivery process and update the terms of agreement with the delivery contractor.

**8. Cash management**

There were internal control weaknesses noted in the cash management process.

**High Priority Recommendation:**

- Strictly comply with IOM's Financial Management Rules and Procedures for an effective and efficient cash management.

**9. Controls over financial transactions**

Sampled transactions and accounting entries disclosed internal control gaps affecting the reliability and integrity of financial data.

**High Priority Recommendation:**

- Review the end to end accounting processes and align with IOM financial management guidelines.

**10. Activation of Projects**

Out of the seven projects activated during the audit coverage period, four were delayed due to a number of factors, mainly from late approval of agreement and budget endorsement from the donor.

**High Priority Recommendation:**

- Prioritize timely project creation and activation.

## **11. Donor reporting**

There were noted delays in reporting to donors, thus, impacting the timely closure of projects and potential project deficit.

High Priority Recommendation:

- Prioritize accounts reconciliation to ensure that expenses are fully accounted for, appropriate invoicing is executed, and actual project balance is obtained to facilitate donor reporting.

## **12. Completed projects**

There were several completed projects where final report has been submitted to the donor, but the Project ID remained open in the system mainly due to late postings or excess funds to be refunded to the donor.

High Priority Recommendation:

- Strengthen internal controls over project closure specifically in accounts review, reconciliation of project balances, and recording of adjustments/receivables/refund.

## **13. Administration of migrants' physical files**

There were gaps noted in the administration of migrants' physical files such as issues in storage, tracking and file retention, among others.

High Priority Recommendation:

- Review the filing procedures and observe data protection principles and proper retention period of migrants' physical files.

*Management agreed with the recommendations. Of the 13 key findings and high priority recommendations presented, 3 remain open and are in the process of implementation, related to risk management, donor reporting, and completed projects.*

## 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
<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:

<b>Rating</b>	<b>Definition</b>	<b>Suggested action</b>	<b>Suggested timeframe</b>
<b>Very High</b>	Issue represents a control weakness which could cause <b><i>critical</i></b> disruption of the process or <b><i>critical</i></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><i>major</i></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><i>moderate</i></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><i>minimal</i></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.