



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
Donor Reporting
PA201702
September 2017 to March 2018

Issued by the Office of the Inspector General

Report on the Audit of Donor Reporting
Executive Summary
Audit File No. PA201702

The IOM Office of the Inspector General conducted an internal audit of Donor Reporting for 11 Country Offices, 9 Regional Offices, Headquarters, Manila Administrative Centre and Panama Administrative Centre (“units involved”) from September 2017 to March 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 Donor Reporting process, in order to ensure that these are well understood and controlled by the responsible managers and units involved in the processes. Selected samples from the following areas were reviewed:

- a. Control environment and activities
- b. Quality assurance of donor reporting
- c. Timeliness of donor reporting
- d. Knowledge management and learning

The audit covered the activities of the units involved from July 2015 to June 2017.

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 the management of the units involved 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 the management of the units involved to determine whether the areas the internal audit covered and the extent of verification or other checking included are adequate for their respective 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 Donor Reporting for the units involved 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. Ownership of donor reporting
- 2. Oversight over donor reporting
- 3. Submission of donor reports

Recommendations made during the internal audit fieldwork and in the report aim to equip the departmental managers and staff to review, evaluate and improve their own internal control and risk management systems over the donor reporting process.

Key recommendations: Total = 13; Very High Priority = 1; High Priority = 3; 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 recommendation in Control Environment and Activities, as follows:

- Ensure that a more comprehensive system is in place to monitor compliance, efficiency and effectiveness of donor reporting.

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:

There are three (3) high priority recommendations, consisting of one (1) recommendation for Control Environment and Activities, and two (2) recommendations for Quality Assurance of Donor Reporting.

These are as follows:

- Establish policies and procedures to strengthen and standardize the oversight of programme and project activities and ensure that there is proper accountability, timeliness and quality of reporting, and appropriateness of project funds management.
- Determine the root causes for the delayed submissions and address these accordingly. Observe more discipline in the review of donor reports to ensure quality of reported information and timeliness of submission.
- Reinforce the compliance by the Project Managers with the timely submission of donor reports to the respective reviewer/endorser. Formalize escalation procedures into the Project Handbook.

Except in the area of Quality Assurance and Donor Reporting, there remains another nine (9) Medium priority recommendations consisting of four (4) recommendations in Control Environment and Activities, three (3) recommendations in Timeliness of Donor Reporting, and two (2) recommendations in Knowledge Management and Learning, which need to be addressed by the units involved 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

All 13 recommendations were accepted. Management of the units involved 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 Donor Reporting

The audit of the Donor Reporting process covered 11 Country offices, 9 Regional Offices, Headquarters, Manila Administrative Centre and Panama Administrative Centre (“units involved”) from September 2017 to March 2018.

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 and risk management 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 Donor Reporting process, in order to ensure that these are well understood and controlled by the responsible managers and units involved in the processes. Recommendations made during the internal audit fieldwork and in the report aim to equip the departmental managers 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. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendation

1. Unclear ownership of donor reporting
The ownership of the donor reporting process is unclear. There are also not enough procedures and tools in place to identify and address issues in compliance, efficiency and effectiveness.

Very High Priority Recommendation:

- Ensure that a more comprehensive system is in place to monitor compliance, efficiency and effectiveness of donor reporting.

Management agreed with the recommendations and is implementing them.

II. High Priority Recommendation

1. Weak oversight function of donor reporting

The primary person responsible for submitting a donor report in a timely manner, as per the Project Handbook, is the Project Manager. Generally, once the reports are endorsed by the primary/secondary reviewer, the Regional Offices are not tracking whether reports are being sent to the donor.

High Priority Recommendation:

- Establish policies and procedures to strengthen and standardize the oversight of programme and project activities and ensure that there is proper accountability, timeliness and quality of reporting, and appropriateness of project funds management.

Management agreed with the recommendations and is implementing them.

2. Weak compliance on submission of donor reports for endorsement

There are several areas of non-compliance with IOM policies and procedures on submission of donor reports for endorsement such as delays in submissions by the Project Managers, inconsistencies between information in the narratives and financial reports, and lack of transparency in general.

High Priority Recommendation:

- Determine the root causes for the delayed submissions and address these accordingly.
- More discipline should be observed in the review of donor reports to ensure quality of reported information and timeliness of submission.

Management agreed with the recommendations and is implementing them.

3. Lack of compliance with timely submission of narrative and financial report by Project Managers to endorsers

In general, there is non-compliance with the deadlines for the submission of narrative and financial reports for endorsement. There is also no evidence of an effective escalation procedure to address the non-compliance. The existing Donor Report monitoring tools in place are found to be ineffective.

High Priority Recommendation:

- Reinforce the compliance by the Project Managers with the timely submission of donor reports to the respective reviewer/endorser.

- Coordinate with other Headquarter departments on the most effective escalation procedures and formalize such procedures into the Project Handbook.

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.