



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Khartoum
SD201801
20 - 28 June 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Khartoum
Executive Summary
Audit File No. SD201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Khartoum, Sudan (the “Country Office”) from 20 to 28 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:

- 2017 – USD 18,700,000 representing 1.17 per cent and 5.93 per cent of IOM Total and Middle East and North Africa Region, respectively.
- January to May 2018 – USD 7,200,000 representing 1.02 per cent and 5.91 per cent of IOM Total and Middle East and North Africa Region, respectively.

The last internal audit of the Country Office was 10 to 14 April 2016.

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. Activation of new project codes
2. Procurement process
3. Risk management
4. Organizational structure
5. Cash management
6. Staff and non-staff accounts

There was satisfactory performance noted in Information Technology.

Key recommendations: Total = 19; Very High Priority = 2; High Priority = 6; Medium Priority = 10; Low Priority = 1

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 Programme and Operations. These are as follows:

- Ensure all necessary documentation needed are prioritized to facilitate project code activation in the system.
- Implement the procurement process according to IOM guidelines and procedures.

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.

High Priority recommendations are presented below:

1. Two (2) recommendations for Management and Administration¹, one (1) recommendation each for Procurement and Logistics and Contracting. These recommendations aim to ensure that assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.

¹ Out of the two 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”.

- Identify and document the risks impacting the Country Office's sustainability and ability to deliver its mandate.
 - Review current staffing levels and reporting lines to ensure that they are aligned to the needs of the Country Office.
 - Improve the controls over the creation of new vendor accounts and documentation of vendor evaluations.
2. 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.
- Cash procedures and thresholds must be clearly established, documented and communicated to staff.
 - Prompt clearing of outstanding staff and non-staff amounts must be prioritized, and corrective actions documented.

There remain another 10 Medium priority recommendations consisting of: 1 recommendation each in Management and Administration and Contracting, 3 recommendations in Personnel, 2 recommendations in Finance and Accounting, and 3 recommendations in Procurement and Logistics, 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 recommendation (not included in this Executive Summary) has been discussed directly with management and actions have been initiated to address them.

Management comments and action plans

Recommendations were accepted. Management 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 Country Office

The main office is located in Khartoum, Sudan. As of June 2018, the Country Office has 228 personnel categorized into: 17 officials, 144 staff, 13 national officers and 54 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods.

- 2017 – USD 18,700,000 representing 1.17 per cent and 5.93 per cent of IOM Total and Middle East and North Africa Region, respectively.
- January to May 2018 – USD 7,200,000 representing 1.02 per cent and 5.91 per cent of IOM Total and Middle East and North Africa Region, respectively.

The Country Office has a total portfolio of 78 projects and total budget of USD 30,880,808. The top 2 projects by type:

- 23 projects for Emergency Response and Assistance to Displaced Populations amounting to USD 13,303,149 or 43 per cent of the budget.
- 8 projects for Resettlement Assistance amounting to USD 4,731,917 or 15 per cent of the budget.

The last audit was in 10 to 14 April 2016, wherein the overall rating was “Partially Effective”.

Implementation status of previous OIG audit recommendations: Audit Report No. SD201601 – IOM Khartoum, total recommendations: 32. And out of the 32 recommendations 31 had been accepted and 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”.

2. Satisfactory performance was noted in Information Technology.

IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendations

1. Activation of new project codes

The delays in activating new project codes in the system result to the inability to post transactions whether expenditures or commitments, against the appropriate project budget.

Very High Priority Recommendation:

- Ensure all necessary documentation needed are prioritized to facilitate project code activation in the system.

2. Procurement process

The procurement process is not being followed in a logical manner, as evidenced by the inconsistency in the dates and absence of essential information in the sampled documents.

Very High Priority Recommendation:

- Implement the procurement process according to IOM guidelines and procedures.

II. High Priority Recommendations

1. Risk management

There is no documented risk management plan in place to assist management in making an informed, strategic and operational decisions.

High Priority Recommendation:

- Identify and document the risks impacting the Country Office’s sustainability and ability to deliver its mandate.

2. Organizational structure

There were several deficiencies noted in the existing organizational structure such as outdated delegation of authority, conflicting roles in the system, unclear organizational structure and lack of standardization of processes and procedures.

High Priority Recommendation:

- Review current staffing levels and reporting lines to ensure they are aligned to the needs of the Country Office.

3. Cash Management

Controls over the safeguarding of cash were noted to be weak. In addition, there were excessive operational advances and delays in recording transactions.

High Priority Recommendation:

- Cash procedures and thresholds must be clearly established, documented and communicated to staff.

4. Staff and non-staff accounts

Vendor ageing report shows accounts over 121 days with large overdue amounts for both staff and non-staff.

High Priority Recommendation:

- Prompt clearing of outstanding staff and non-staff amounts must be prioritized, and corrective actions documented.

5. Vendor management

There were several vendors with no documentation or vendor files. In addition, vendor evaluations were missing.

High Priority Recommendation:

- Improve the controls over the creation of new vendor accounts and documentation of vendor evaluations.

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.