



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Mogadishu
SO201701
27 November – 7 December 2018

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Report on the Audit of IOM Mogadishu
Executive Summary
Audit File No. SO201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Mogadishu, Somalia (the “Country Office”) from 27 November to 7 December 2017. The internal audit was 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 1 November 2015 to 30 November, 2017. The Country Office recorded the following expenses based on IOM financial records:

- November 2015 to October 2016 - USD 24,349,570 representing 1.56 % and 11% of IOM Total, and of East and Horn of Africa Region, respectively
- November 2016 to November 2017 - USD 51,740,257 representing 3.25 % and 20% of IOM Total, and of East and Horn of Africa Region Region, respectively.

The last internal audit of the Country Office was August 2014.

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 ensure 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”.

Satisfactory performance was noted in Contracting.

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

1. Relocation of support functions
2. Security risk management
3. Housing allowances for international staff
4. Programme spending and budget monitoring
5. Delegation of authority
6. Staff training
7. Payroll process
8. Bank signatories
9. Accounting procedures and documentation
10. Vendor transactions
11. Procurement
12. Fleet management
13. IT backup procedures
14. Program management
15. Donor reporting

Key recommendations: Total = 26; Very High Priority = 4; High Priority = 11; Medium Priority = 11

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 four (4) Very High Priority recommendations consisting of two (2) recommendations for Management and Administration and one (1) each for Personnel and Programme and Operations. These are as follows:

1. Prepare a Strategic Plan incorporating all aspects of the transition, such as, but not limited to financial, human resources, actual office space, international staff housing, completion of the new office compound, and related security costs.
2. Assess the security compliance funding requirements and how much could be financed through the projects. For the remaining balance, support from Head office should be considered.
3. Review and coordinate with Head the office the cost recovery for housing allowances and its implications.
4. Establish an effective mechanism to ensure that project budgets are accurately and adequately calculated.

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:

1. Two (2) recommendations for Management and Administration, one (1) recommendation for Personnel, two (2) recommendations for Procurement and Logistics, one (1) recommendation for Information Technology, and two (2) recommendations for 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.
 - Establish a new Delegation of Authority matrix including all the required approvals for different levels such as bank, human resources, payroll, procurement and finance and disseminate this to all staff.
 - Establish a proper training plan or approach for both international and national staff.
 - Comply with IOM rules on “Internal Controls related to Payroll Processing” in order to produce an accurate payroll and address the observations noted.
 - Establish purchase authorization matrix for each sub-office with appropriate ceilings and allowing for tighter internal controls and immediately review all long outstanding purchase orders for validity.
 - Urgently develop and introduce Standard Operating Procedures for the use of vehicles allowing for a proper oversight of the fleet and accountability of drivers and other staff directly concerned.
 - Full compliance with IOM standards for IT infrastructure set-up and backup procedures.
 - Develop a project management plan that monitors the progress in each project activity in order to identify limitations and anticipated delays so that appropriate measures can be taken throughout the project life cycle rather than at the end of the project.
 - Improve mechanism in monitoring, preparation and submission of donor reports.

2. Three (3) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office’s financial and operational information.
 - The Country Office should monitor and follow-up on the status of revising the bank signatory panels and designate additional staff from the same office who can authorize its own bank payments.
 - Follow IOM guidelines and accounting principles to ensure eligibility of costs, having all supporting documentation and appropriate approvals as part of the accounting documents.
 - Full compliance with IOM rules and regulations on accounting for vendor transactions.

Except in the area of Contracting and Information Technology, there remains another eleven (11) Medium priority recommendations consisting of five (5) recommendations in Management and Administration, two (2) recommendations in Personnel, two (2) in Finance and Accounting, one (1) recommendation in Procurement and Logistics, and one (1) 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.

Management comments and action plans

Except for two (2) medium recommendations which were partially accepted, the remaining twenty-four (24) recommendations were accepted and 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 Mogadishu, Somalia. As of November 2017, the Country Office has 243 personnel categorized into: 32 officials, 120 staff and 91 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- November 2015 to October 2016 - USD 24,349,570 representing 1.56 % and 11% of IOM Total, and of East and Horn of Africa Region, respectively.
- November 2016 to November 2017 - USD 51,740,257 representing 3.25 % and 20% of IOM Total, and of East and Horn of Africa Region Region, respectively.

For the period from 1 November 2015 to 30 November 2017, the Country Office has a total portfolio of 118 projects and total budget of USD 92,778,431. The top two projects by type:

- 21 Projects for Community Stabilization amounting to USD 36,506,226.54 or 39.35 % of the budget.
- 36 Projects for Assistance to Displaced Persons amounting to USD 22,548,134 or 24.3 % of the budget.

The last audit was in August 2014 wherein the overall rating was “Partially Satisfactory”¹. (Follow Up Audit in July 2015).

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

¹ (Previous ratings used (up to 2014) is out of the three ratings: Satisfactory, Partially Satisfactory, and Unsatisfactory).

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 Contracting.

IV. Key Findings and Very High and High Priority Recommendations

Very High Priority Recommendations:

1. Relocation of support functions

The remote management of the Somalia operations from Nairobi has not been effective and efficient resulting to several internal control weaknesses. Thus, it was decided that the majority of the support groups relocate to Mogadishu. However, there are serious security concerns.

Very High Priority Recommendation:

- Prepare a Strategic Plan incorporating all aspects of the transition, such as but not limited to financial, human resources, actual office space, international staff housing, completion of the new office compound, and related security costs.

Management agreed with the recommendation and is implementing them.

2. Security Risk Management

There are significant deficiencies in security risk management that requires funding in order to address these.

Very High Priority Recommendation:

- Assess the security compliance funding requirements and how much could be financed through the projects. For the remaining balance, support from Head office should be considered.

Management agreed with the recommendation and is implementing them.

3. Housing Allowances for International staff

The current policy for cost recovery for housing allowances for international staff results to multiple recovery for the same room.

Very High Priority Recommendation:

- Review and coordinate with Head office the cost recovery for housing allowances and its implications.

Management agreed with the recommendation and is implementing them.

4. Programme spending and budget monitoring

There is lack of proper oversight in resource management, in particular, budgeting and financial monitoring.

Very High Priority Recommendation:

- Establish an effective mechanism to ensure that project budgets are accurately and adequately calculated.

Management agreed with the recommendations and is implementing them.

High Priority Recommendations:

1. Delegation of Authority

The current Delegation of Authority matrix dated 2012 is no longer up to date considering the many organizational and operational changes that have taken place.

High Priority Recommendation:

- Establish a new Delegation of authority matrix including all the required approvals for different levels such as bank, Human resources, payroll, procurement and finance and disseminate this to all staff.

Management agreed with the recommendation and is implementing them.

2. Staff Training

The Country Office does not have a proper training plan or approach. Staff knowledge in areas such as resources management continues to be lacking.

High Priority Recommendation:

- Establish a proper training plan or approach for both international and national staff.

Management agreed with the recommendation and is implementing them.

3. Payroll Process

There were significant internal control weaknesses noted in the processing of payroll.

High Priority Recommendation:

- Comply with IOM rules on “Internal Controls related to Payroll Processing” in order to produce an accurate payroll and address the observations noted.

Management agreed with the recommendation and is implementing them.

4. Bank Signatories

The current panel of bank signatories is found to be insufficient. There are instances where the lone staff in the office is also the bank signatory or the signatories for a sub-office are stationed in another office.

High Priority Recommendation:

- The Country Office should monitor and follow-up on the status of revising the bank signatory panels and designate additional staff from the same office who can authorize its own bank payments.

Management agreed with the recommendation and is implementing them.

5. Accounting Procedures and Documentation

There are significant deficiencies noted in the compliance with standard operating procedures for accounting of transactions and compilation of supporting documents.

High Priority Recommendation:

- Follow IOM guidelines and accounting principles to ensure eligibility of costs, having all supporting documentation and appropriate approvals as part of the accounting documents.

Management agreed with the recommendation and is implementing them.

6. Vendor transactions

There is a high number of old outstanding vendor open items for both staff and suppliers such as unliquidated operational advances, travel expense claims, open purchase orders, staff's medical advances that are pending clearance, among others. There are also separated staff who still have open items in their staff vendor accounts either as a payable or as a receivable from IOM.

High Priority Recommendation:

- Full compliance with IOM rules and regulations on accounting for vendor transactions.

Management agreed with the recommendation and is implementing them.

7. Procurement

There were significant internal control weaknesses over procurement process, such as ineffective monitoring and follow up of long outstanding purchase orders, lacking proper and accurate documentation, among others.

High Priority Recommendation:

- Establish purchase authorization matrix for each (sub) office with appropriate ceilings and allowing for tighter internal controls and immediately review all long outstanding purchase orders for validity.

Management agreed with the recommendation and is implementing them.

8. Fleet Management

There is no standard operating procedure on vehicle usage clearly defining the duties and responsibilities of the drivers and other staff using the vehicles, inspection and reporting of vehicles.

High Priority Recommendation:

- Urgently develop and introduce standard operating procedures for the use of vehicles allowing for a proper oversight of the fleet and accountability of drivers and other staff directly concerned.

Management agreed with the recommendation and is implementing them.

9. IT Backup Procedures

The Nairobi office does not have an off-site backup storage in place. In addition, the Hargeisa office does not have any backup system for the time being. The Mogadishu office also does not have a server.

High Priority Recommendation:

- Full compliance with IOM standards for IT infrastructure set-up and backup procedures.

Management agreed with the recommendation and is implementing them.

10. Program management

There were noted weaknesses in program management and implementation, some of which are partly attributed to the Project Manager who left without any permanent replacement in place.

High Priority Recommendation:

- Develop a project management plan that monitors the progress in each project activity in order to identify limitations and anticipated delays so that appropriate measures can be taken throughout the project life cycle rather than at the end of the project.

Management agreed with the recommendation and is implementing them.

11. Donor Reporting

There were significant deficient in the donor reporting process resulting to delays or lack of submissions to donors.

High Priority Recommendation:

- Improve mechanism in monitoring, preparation and submission of donor reports.

Management agreed with the recommendation 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.