



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Country Office Bangkok
TH201801
15 - 19 October 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Country Office Bangkok
Executive Summary
Audit File No. TH201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Bangkok, Kingdom of Thailand (the “Country Office”) from 15 to 19 October 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 September 2016 to August 2018. The Country Office recorded the following expenses based on IOM financial records:

- September to December 2016 – USD 9,410,595 representing 1.60 per cent and 9.74 per cent of IOM Total and Asia and the Pacific Region, respectively.
- 2017 – USD 22,419,100 representing 1.40 per cent and 8.01 per cent of IOM Total and Asia and the Pacific Region, respectively.
- January to August 2018 – USD 15,414,721 representing 1.35 per cent and 6.56 per cent of IOM Total and Asia and the Pacific 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. Imprest Cash Advances
2. Invoicing process and recording of service fee
3. Cooperation agreement
4. Project funding
5. Oversight of sub-offices
6. Delegation of authority matrix
7. Terms of reference of staff
8. Laboratory unit
9. Cash management
10. Rental of vans
11. Standard operating procedures
12. Criminal Investigation department fees
13. Overseas worker welfare fund membership fees

Key recommendations: Total = 41; Very High Priority = 4; High Priority = 12; Medium Priority = 20; Low Priority = 5

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 one (1) recommendation for Finance and Accounting and three (3) recommendations in Programme and Operations¹. These are as follows:

- Comply with IOM policies and procedures on the proper handling of imprest accounts.
- Review the invoicing process for the completeness and timeliness of invoicing and recording of service fee.
- Review the terms of the cooperation agreement and internal processes and procedures appropriately amended to support compliance.

¹ One recommendation each under Programme and Operations, Management and Administration was not presented in the executive summary, according to the provisions of IB/78 “Disclosure of IOM Internal Audit Reports”.

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:

1. Five (5) recommendations for Management and Administration¹, two (2) recommendations for Personnel, one (1) recommendation for Procurement and Logistics, and three (3) recommendations for Programme and Operations. These recommendations aim to ensure that assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.
 - Closely monitor its organizational structure and staffing in line with the availability of funding.
 - Establish a reporting line between the main and sub-offices resources management functions with the aim of having adequate internal controls.
 - Review and update the existing delegation of authority matrix to cover all relevant transactions requiring approvals.
 - Consult with Headquarters on the ways to harmonize the salary scale and align terms of reference of the affected staff to organizational standards.
 - Review staffing needs for the laboratory unit and adjust the working time as appropriate.
 - Procurement and Logistics unit should control the fees paid for rental of vans by different units and take pro-active part in the negotiation of the fees.
 - Update the standard operating procedures to include all the necessary procedures for the implementation of the concerned project.
 - Comply with IOM policies on the proper procedures for cash collection process for Criminal Investigation department fees.
 - Review the process concerning the overseas worker welfare fund membership contribution and ensure that appropriate controls are in place.
2. One (1) recommendation on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
 - Fully comply with IOM guidelines over cash management.

There remain another 20 Medium priority recommendations consisting of: 4 recommendations in Management and Administration, 1 recommendation each in Personnel, and Information Technology, 3 recommendations in Finance and Accounting, 3 recommendations in Procurement and Logistics, 2 recommendations in Contracting, and 6 recommendations 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

36 out of the 41 recommendations were implemented and closed as of 31 January 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 Bangkok, Kingdom of Thailand. As of 1 October 2018, the Country Office has 346 personnel categorized into: 26 officials, 190 staff and 130 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- September to December 2016 – USD 9,410,595 representing 1.60 per cent and 9.74 per cent of IOM Total and Asia and the Pacific Region, respectively.
- 2017 – USD 22,419,100 representing 1.40 per cent and 8.01 per cent of IOM Total and Asia and the Pacific Region, respectively.
- January to August 2018 – USD 15,414,721 representing 1.35 per cent and 6.56 per cent of IOM Total and Asia and the Pacific Region, respectively.

The Country Office has a total portfolio of 93 projects and total budget of USD 59,496,618. The top 2 projects by type:

- 7 projects for Labour Migration amounting to USD 18,415,141 or 31 per cent of the budget.
- 15 projects for Resettlement Assistance amounting to USD 13,995,047 or 24 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. Key Findings and Very High Priority and High Priority Recommendations

I. Very High Priority Recommendations

1. Imprest cash advances

Although imprest advances are liquidated regularly, a number of internal lapses were observed which may result to funds misappropriation, diminished accountability, invalid payments, and work inefficiencies.

Very High Priority Recommendation:

- Coordinate with Head Office on the proper handling of imprest accounts.

2. Invoicing process and recording of service fee

There is no formal documented invoicing process and recording of revenue is not in accordance with the accrual principle of accounting.

Very High Priority Recommendation:

- Review the invoicing process for the completeness and timeliness of invoicing and recording of service fee.

3. Cooperation Agreement

The review disclosed non-compliance with the provisions of the cooperation agreement in terms of interviewing workers and internal control gaps in the service fee payments.

Very High Priority Recommendation:

- Review the terms of the cooperation agreement and internal processes and procedures appropriately amended to support compliance.

II. High Priority Recommendations:

1. Project Funding

Given the continued challenges encountered by the Country Office on funding of some projects, there is a potential risk on the Country Office's sustainability.

High Priority Recommendation:

- Closely monitor its organizational structure and staffing in line with the availability of funding.

2. Oversight of sub-offices

There is a lack of oversight on sub-offices' resources management functions and defective organization set-up in the Migration Health unit.

High Priority Recommendation:

- Establish a reporting line between the main and sub-offices resources management functions with the aim of having adequate internal controls.

3. Delegation of authority matrix

There were noted deficiencies in the delegation of authority matrix in place.

High Priority Recommendation:

- Review and update the existing delegation of authority matrix to cover all relevant transactions requiring approvals.

4. Terms of Reference of Staff

The terms of reference for many staff on the old salary scale have not been updated or rated for fear that doing so might result in upgrade of the staff and make some programmes unsustainable due to additional staff cost.

High Priority Recommendation:

- Consult with Headquarters on the ways to harmonize the salary scale and align terms of reference of the affected staff to organizational standards.

5. Laboratory unit

After downsizing in 2013, the laboratory staff were put on 30 hours per week but actually working beyond 30 hours per week and sometimes doing overtime without prior approval being requested.

High Priority Recommendation:

- Review staffing needs for the laboratory unit and adjust the working time as appropriate.

6. Cash Management

There were no sufficient internal control procedures over cash management.

High Priority Recommendation:

- Fully comply with IOM guidelines over cash management.

7. Rental of vans

There is no internal control on the use of rental vans in Bangkok, Mae Hong Son, and Mae Sot.

High Priority Recommendation:

- Procurement and Logistics unit should control the fees paid for rental of vans by different units and take pro-active part in the negotiation of the fees.

8. Standard Operating Procedures

While standard operating procedures are necessary to carry out project implementation, there are procedures that were overlooked in the development of the standard operating procedures, such as billing and recording of additional airfare costs, to name a few.

High Priority Recommendation:

- Update the standard operating procedures to include all the necessary procedures for the implementation of projects.

9. Criminal Investigation department fees

There were significant internal control weaknesses in the handling of Criminal Investigation department fees.

High Priority Recommendation:

- Monitor the proper procedures for cash collection process for Criminal Investigation department fees and ensure compliance with accounting procedures.

10. Overseas Worker Welfare Fund Membership Fees

Gaps were noted in the collection, transmittal process and recording of overseas worker welfare fund membership fees.

High Priority Recommendation:

- Review the process concerning the overseas worker welfare fund membership contribution and ensure that appropriate controls are in place.

Management agreed with the recommendations. Of the 13 key findings and very high and high priority recommendations presented, only 2 remain open and are in the process of implementation, related to delegation of authority matrix, and terms of reference of staff.

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. |