



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Ankara
TR201801
3 - 19 September 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Ankara
Executive Summary
Audit File No. TR201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Ankara, Turkey (the “Country Office”) from 3 to 19 September 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 January 2017 to July 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 – USD 76,226,095 representing 4.77 per cent and 46.75 per cent of IOM Total and South-Eastern Europe, Eastern and Central Asia Region, respectively.
- January to July 2018 – USD 41,727,240 representing 4.19 per cent and 47.75 per cent of IOM Total and South-Eastern Europe, Eastern and Central Asia Region, respectively.

The last internal audit of the Country Office was 7 to 16 September 2015.

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. Delegation of authority matrix
3. Service fees collection
4. Payroll administration
5. Asset management
6. Reporting of potential vendor misconduct
7. Contract payment terms
8. Technical evaluation of vendors
9. User account management
10. Information and Communications Technology business continuity plan

Key recommendations: Total = 46; Very High Priority = 1; High Priority = 15; Medium Priority = 26; Low Priority = 4

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 Priority recommendation in Information Technology¹.

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. Three (3) recommendations each for Management and Administration and Procurement and Logistics, two (2) recommendations in Contracting, four (4) recommendations in Information

¹ The very high recommendation under Information Technology was not presented in the executive summary, according to the provisions of IB/78 “Disclosure of IOM Internal Audit Reports”.

Technology, and one (1) recommendation in Programme and Operations². 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.

- Update and monitor risk register regularly.
 - Review and update the delegation of authority matrix to cover all relevant transactions requiring approvals.
 - Conduct physical verification, tagging, and recording of all assets whether assigned to staff or third parties.
 - Ensure timely reporting of all future suspected malpractices to the Ethics and Conduct Office.
 - Coordinate with the concerned vendor for possible refund of value added taxes.
 - Ensure that all Information and Communications Technology related procurements are coordinated with ICT Unit or a representative in compliance with IOM guidelines.
 - Fully comply with IOM guidelines on account and password management policies and procedures.
 - Establish an Information and Communications Technology business continuity plan and conduct simulation exercises annually.
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.
- Fully comply with IOM guidelines on the proper administration of service fees received from self-payers.
 - Implement stronger internal controls over payroll administration.

The 26 Medium priority recommendations consisting of: 5 recommendations each in Management and Administration and Finance and Accounting, 4 recommendations each in Personnel and Procurement and Logistics, 2 recommendations in Contracting, 3 recommendations each in Information Technology and Programme and Operations, need to be addressed 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 management and actions have been initiated to address them.

Management comments and action plans

All 46 recommendations were implemented and closed as of 31 December 2019. 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.

² On the high priority recommendations, one recommendation each under Management and Administration, Procurement and Logistics, and Programme and Operations and two recommendations under Information and Technology were not presented in the executive summary, according to the provisions of IB/78 "Disclosure of IOM Internal Audit Reports".

**International Organization for Migration
Office of the Inspector General**

I. About the Country Office

The main office is located in Ankara, Turkey. As of 31 July 2018, the Country Office has 604 personnel categorized into: 54 officials, 300 staff and 250 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 – USD 76,226,095 representing 4.77 per cent and 46.75 per cent of IOM Total and South-Eastern Europe, Eastern and Central Asia Region, respectively.
- January to July 2018 – USD 41,727,240 representing 4.19 per cent and 47.75 per cent of IOM Total and South-Eastern Europe, Eastern and Central Asia Region, respectively.

The Country Office has a total portfolio of 151 projects and a total budget of USD 147,284,792. The top 2 projects by type are as follows:

- 30 projects for Emergency Response and Assistance to Displaced Populations amounting to USD 60,722,665 or 41 per cent of the budget.
- 34 projects for Resettlement Assistance amounting to USD 28,266,389 or 19 per cent of the budget.

The last audit was in 7 to 16 September 2015 wherein the overall rating was “Partially effective”.

Implementation status of previous OIG audit recommendations: Audit Report No. TR201501 - IOM Ankara; Total recommendations: 23; All 23 recommendations 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 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 High Priority Recommendations

High Priority Recommendations

1. Risk management

The Country Office had not updated the risk register documenting the progress of the treatment plans and identifying any emerging risks or changes in the action plan and owners was not updated.

High Priority Recommendation:

- Update and monitor the risk register regularly.

2. Delegation of authority matrix

The delegation of authority matrix in place does not include some key transactions relevant to the Country Office’s operations.

High Priority Recommendation:

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

3. Service fees collection

Apart from the method of collecting service fees in cash, there were significant internal control lapses noted in self-payer receipt transactions.

High Priority Recommendation:

- Fully comply with IOM guidelines on the proper administration of service fees received from self-payers.

4. Payroll Administration

There were no adequate internal controls in payroll administration to ensure that payroll is valid, accurate and complete.

High Priority Recommendation:

- Implement stronger internal controls over payroll administration.

5. Asset management

There were some areas for improvement noted in the management of assets assigned to staff and third parties.

High Priority Recommendation:

- Conduct physical verification, tagging, and recording of all assets whether assigned to staff or third parties.

6. Reporting of potential vendor misconduct

Alleged cases of vendor misconduct and fraudulent practices were not communicated to the appropriate channels.

High Priority Recommendation:

- Ensure timely reporting of all future suspected malpractices to the Ethics and Conduct Office.

7. Contract payment terms

The contract payment terms and conditions for e-cards are not well defined as to the composition of the service fees.

High Priority Recommendation:

- Coordinate with concerned vendor for possible refund of value added taxes.

8. Technical evaluation of vendors

The selection of a certain vendor lacked the technical evaluation from an information technology perspective.

High Priority Recommendation:

- Ensure that all Information and Communications Technology related procurements are coordinated with Information and Communications Technology unit or a representative in compliance with IOM guidelines.

9. User account management

User account management procedures were inadequate and there was a lack of user account expiration dates.

High Priority Recommendation:

- Fully comply with IOM guidelines on account and password management policies and procedures.

10. Information and Communications Technology business continuity plan

The Country Office does not have an Information and Communications Technology business continuity plan, nor an information technology risk register.

High Priority Recommendation:

- Establish an Information and Communications Technology business continuity plan and conduct simulation exercises annually.

Management agreed with the recommendations, and all 10 key findings and high priority recommendations presented have been closed and implemented as of 31 December 2019.

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.