



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Lusaka
ZM201801
16 - 20 April 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Lusaka
Executive Summary
Audit File No. ZM201801

The IOM Office of the Inspector General conducted an internal audit of the IOM Lusaka, Zambia (the “Country Office”) from 16 - 20 April 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 March 2016 to March 2018. The country office recorded the following expenses based on IOM financial records:

- March 2016 to February 2017 - USD 3,163,932 representing 0.20 per cent and 8 per cent of IOM Total and Southern Africa Region, respectively.
- March 2017 to March 2018 - USD 2,522,971 representing 0.14 per cent and 7 per cent of IOM Total and Southern Africa 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. Delegation of authority
2. Accounting procedures and documentation
3. Procurement process
4. Management of assets
5. Contracts management

Key recommendations: Total = 19; High Priority = 5; Medium Priority = 10; Low Priority = 4

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. One (1) recommendation for Management and Administration; two (2) recommendations for Procurement and Logistics; and one (1) recommendation in Contracting. These recommendations aim to ensure that the assets of IOM are properly safeguarded, and that IOM operations are effective and efficient.
 - Review delegation of authority guidelines and ensure it contains all the forms/documents, transactions, and accounting vouchers for review, signature and approval.
 - Full compliance with the provisions of IOM guidelines on procurement of goods, works and services.
 - Update the asset listing based on the results of physical verification and set up asset monitoring procedures.
 - Create a system that can properly track all the vendor agreements or contracts and their expiry dates.
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.
 - Full compliance with IOM guidelines and accounting principles.

There remain another 10 Medium priority recommendations consisting of 2 recommendations in Management and Administration; 4 recommendations in Personnel; 1 recommendation in Finance and Accounting; 2 recommendations in Procurement and Logistics; and 1 recommendation in Information Technology, 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 management and actions have been initiated to address them.

Management comments and action plans

All 19 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 Lusaka, Zambia. As of March 2018, the country office has 25 personnel categorized into: 3 officials, 18 staff and 4 non-staff. The country office recorded the following expenses based on IOM financial records for the following periods:

- March 2016 to February 2017 - USD 3,163,932 representing 0.20 per cent and 8 per cent of IOM Total and Southern Africa Region, respectively.
- March 2017 to March 2018 - USD 2,522,971 representing 0.14 per cent and 7 per cent of IOM Total and Southern Africa Region, respectively.

The Country Office has a total portfolio of 33 projects and total budget of USD 6.5 million. The top 2 projects by type:

- 5 projects for Resettlement Assistance amounting to USD 2.8 million or 43 per cent of the budget.
- 3 projects on Health Promotion and Assist for Migrants amounting to USD 1.3 million or 20 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 High Priority Recommendations

1. Delegation of Authority

The delegation of authority guidelines effective since January 2018 has not yet been formally approved and lacks specific procedures on review and approval.

High Priority Recommendation:

- Review delegation of authority guidelines and ensure it contains all the forms/documents, transactions, and accounting vouchers for review, signature and approval.

2. Accounting procedures and documentation

The Country Office is not fully compliant with IOM guidelines. Further, there were significant deficiencies noted in accounting procedures and documentation.

High Priority Recommendation:

- Full compliance with IOM guidelines and accounting principles.

3. Procurement process

Several deficiencies in the controls and administration of procurement process were identified.

High Priority Recommendation:

- Full compliance with the provisions of IOM guidelines on procurement of goods, works and services.

4. Management of assets

There were no proper custodianship controls over the assets.

High Priority Recommendation:

- Update the asset listing based on the results of physical verification and set up asset monitoring procedures.

5. Contracts management

There is no system/tool that can assist in tracking agreements or contracts with the vendors along with their expiry dates.

High Priority Recommendation:

- Create a system that can properly track all the vendor agreements or contracts and their expiry dates.

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.