



International Organization for Migration (IOM)
The UN Migration Agency

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
Management of Implementing Partners in IOM
3P201901
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Issued by the Office of the Inspector General

Report on the Audit of Management of Implementing Partners in IOM
Executive Summary
Audit File No. 3P201901

The IOM Office of the Inspector General (OIG) conducted an internal audit of the process for the Management of Implementing Partners in IOM covering corporate policies and processes, as well as field implementation. The internal audit aimed to assess the adequacy of the design and effectiveness of IOM's governance, risk management and control process in ensuring efficient use of Implementing Partners in the project/programme implementation. The following areas of IOM's framework with Implementing partners were reviewed on a sample basis:

- a. Governance
- b. Selection and Contracting
- c. Implementation and Monitoring
- d. Closure and Reporting

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 the management of the units involved 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 the management of the units involved to determine whether the areas the internal audit covered, and the extent of verification or other checking included are adequate for their respective 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 process for Management of Implementing Partners in IOM 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.”*

The rating was based on weaknesses noted in the following areas:

1. Overall partnership framework
2. Risk management
3. Capacity assessment of implementing partners

Key recommendations: Total = 9; High Priority = 3; Medium Priority = 5; Low Priority = 1

Recommendations made during the internal audit fieldwork and in the report aim to equip the departmental managers and staff to review, evaluate and improve their own internal control and risk management systems over the process for Management of implementing partners.

High Priority Recommendations

For the high priority recommendations, prompt action is required to ensure that IOM will not be adversely affected in its ability to achieve its strategic and operational objectives.

There are 3 high priority recommendations, consisting of: 2 recommendations in Governance, and 1 recommendation in Selection and Retention of Implementing Partners.

- Develop a partnership strategy and adopt an organization-wide strategic and consistent approach in the overall engagement of various forms of partnerships, including Implementing Partners.
- Coordinate with the Chief Risk officer to strengthen the risk management relating to Implementing Partners.
- Institutionalize capacity assessments of implementing partners as part of the selection process of implementing partners.

There remains 5 Medium priority recommendations consisting of: 3 recommendations in Selection and Retention, and 2 recommendations in Implementation and Monitoring, which need to be addressed by the units involved to ensure that such weaknesses in controls will not moderately affect the headquarters and country office's ability to achieve its entity or process objectives.

There was only one Low priority recommendation in Implementation and Monitoring (not included in this Executive Summary).

Management comments and action plans

All 9 recommendations were accepted. IOM senior management of the units involved 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 Management of Implementing Partners process

The process for the Management of Implementing Partners is under the coordination of the Office of the Chief of Staff, and various Headquarters Divisions, such as Department of Resources Management, Department of Operations and Emergencies, International Partnerships Division within the ongoing Internal Governance Framework activities.

The audit covered the review of transactions from January to December 2018. Implementing Partners' expenditure in 2018 was 97 million, or 8 per cent of IOM's total programme and operational expenditure.

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 the adequacy of the design and effectiveness of IOM's governance, risk management and control process in ensuring efficient use of Implementing Partners in the project/programme implementation.

2. Scope and Methodology

In compliance with Internal Audit standards, attention was paid to the review of IOM's framework with Implementing Partners as well as the assessment of the adequacy of the design and effectiveness of IOM's governance, risk management and control process in ensuring efficient use of Implementing Partners in the project/programme implementation.

Recommendations for improvements at the institutional level that were made during the internal audit fieldwork and in this report aim to equip the relevant departments and staff to review, evaluate and improve their own processes, internal control, and risk management systems.

III. Audit Conclusions

1. Overall Audit Rating

OIG assessed the process for the Management of Implementing Partners in IOM 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. Overall Partnership Framework

The overall partnership framework, including Implementing Partners, is not based on a formal strategy comprising of a set of guiding principles that forms the basis for determining partnership requirements. While IOM's policies and procedures governing the management of Implementing Partners exist in piecemeal and are fragmented in various institutional policy frameworks. There are no articulated principles and objectives for overall partnership engagement.

High Priority Recommendation:

- Develop a partnership strategy and adopt an organization-wide strategic and consistent approach in the overall engagement of various forms of partnerships, including Implementing Partners.

2. Risk Management

Risk events, causes or indicators, consequences, ratings, and the expected risk response have been identified with existing Implementing Partners. However, certain inherent and emerging risks from programme implementation through implementing partners have not been identified. Further, there is minimal progress to operationalize the results of the risk assessment exercise.

High Priority Recommendation:

- The Chief Risk officer to coordinate strengthening the risk management relating to Implementing Partners.

3. Capacity assessment of Implementing Partners

There is no organization wide framework for performing the capacity assessment of implementing partners and ownership of the capacity assessment process.

High Priority Recommendation:

- Institutionalize capacity assessments of implementing partners as part of the selection process of implementing partners.

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.