



International Organization for Migration (IOM)  
The UN Migration Agency

## OFFICE OF THE INSPECTOR GENERAL

### Management Response and Actions IOM Country Office Budapest Audit File No. HU201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Budapest (the “Country Office”) from 13 to 21 December 2018. 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 country-level management and staff. The audit covered the activities of the Country Office from January 2017 to November 2018. The results of the audit are public and can be accessed through IOM’s global website<sup>1</sup>.

The OIG assessed the Office as partially effective, and raised 27 audit findings and recommendations, out of which 10 are high priority.

As of December 2020, out of the 27 audit findings there remain 2 high priority open recommendations.

The below report provides an explanation of the actions taken on the high priority findings since the 2018 audit and the current state of the IOM Budapest office.

### Management Response and Actions to the Internal Audit Report of HU201801 – IOM Budapest

#### Management and Administration

##### **Finding No. 1: No formal strategic plan has been developed**

*Implementation On-going*

**Mission’s Response:** Following the resignation of the former Head of Office, the pending issues were taken over by the officer-in-charge as of 20 April 2020. Development of the strategic plan has not been started. The Office will coordinate with the Regional Office and work on the country strategy in 2021.

#### Finance and Accounting

##### **Finding No. 9: Co-funding capacity needs to be secured and sustainability of the Country Office closely monitored**

*Finding Closed*

IOM Budapest submitted the input on financial prospects for 2019 to Regional Office Brussels as part of the Periodic Regional Review, this is being revised periodically. Co-funding is a constant issue for the office. With the drastic reduction of national funding for migration-related projects IOM Budapest is forced more and more to concentrate on securing international funding directly provided by various

---

<sup>1</sup>[https://www.iom.int/sites/default/files/about-iom/audit/hu201801-iom\\_budapest.pdf](https://www.iom.int/sites/default/files/about-iom/audit/hu201801-iom_budapest.pdf)



International Organization for Migration (IOM)  
The UN Migration Agency

funds of the European Commission. These funds however, come with a 10-20 per cent co-funding requirement.

The Hungarian government, just like many other governments in the region, is reluctant to provide co-funding to migration related projects and this makes the financial risk of these projects very high. The EUR 20,000 voluntary contribution provided by the Hungarian government is entirely unearmarked and therefore, can be used to cover co-funding, but it is a small amount compared to the co-funding needs of all international projects and, as pointed out by the auditors, it is not guaranteed, because there is no obligation on the part of the government to continue this practice in the coming years.

Income from service fees (transit assistance, arrival assistance, document verification), has been drastically decreased in the past few years, so co-funding cannot be covered from these sources. Savings have also been drastically reduced in an effort to deal with the consequences of massive loss of funding.

A standardized co-funding mechanism would be essential in order to ensure that IOM does not miss funding opportunities because of the financial risks and uncertainties associated with co-funding. Such mechanism would need to include all EU Member States and would need to be built in close cooperation with the Resource Mobilization Missions and the traditional donor countries.

#### **Finding No. 10: Overpayment of private mileage**

##### *Finding Closed*

All travel expense claims (which was 150 in 2018) are handed to finance for review, which is done in every case. Unfortunately, in these two cases we overlooked the mistake in the calculation. However, we would like to note that such mistakes are rare, and we do pay attention in reviewing all the documents going through finance. By the time the above-mentioned issue was noticed, the claimant of the travel expense claim was already separated, and we decided not to claim the overpayment back.

#### **Finding No. 11: Weak Financial Monitoring of Staff and Office Costs**

##### *Finding Closed*

The country office has medium term forecast of the projectization, but we make a monthly review of the actual figures generated in PRISM and allocate office cost based on the actual situation rather than an estimation. This way we avoid under/overspending the AOH budgets. We think that the monthly review of the actual figures is the most accurate projectization of staff and office costs.

### **Contracting**

#### **Finding No. 18: Advance Payment processed without valid contract or signed Purchase Order**

##### *Finding Closed*

In this case the down payment was made without a signed contract after careful internal coordination. Although the associated risk was fully recognized, the relevant service was needed and had to be provided in order to assist beneficiaries.

The necessary internal controls are in place. Down payments are not made without the necessary supporting documentation, including a signed contract.



International Organization for Migration (IOM)  
The UN Migration Agency

**Finding No. 19: Agreements with Partners and Service Providers not approved by Office of Legal Affairs and outdated**

*Implementation On-going*

**Mission's Response:** Despite our efforts, renegotiation and renewal of the Memorandum of Understanding with the Hungarian Ministry of Interior was unsuccessful. Review and renegotiation of agreements without the Office of Legal Affairs' approval are still in progress.

**Information Technology**

**Finding No. 22: Backup and Information and Communications Technology maintenance issues**

*Finding Closed*

The yearly backup on LTO tape was transferred to Regional Office Brussels. Monthly and weekly backups are stored in a firebox in the office. We could not identify affordable temporary solution. IOM Budapest signed up to be a pilot country office for the "serverless office" initiative, implementation is expected in 2021.

**Programme and Operations**

**Finding No. 23: Incomplete supporting documentation for Reintegration Allowance**

*Finding Closed*

IOM Budapest is fully aware of the importance of follow-up and monitoring activities in victims of trafficking's return and reintegration projects.

However, budgeting these activities and collecting proof of delivery and acknowledgement of receipt is not always possible. As discussed during the audit, IOM Budapest makes significant effort to ensure that all possible documentation to support a case is collected and available, however, budgeting these activities and collecting proof of delivery and acknowledgement of receipt is not always possible due to the following reasons:

- The majority of the beneficiaries usually reside in small remote villages without means (computer, internet connection) to be able to send acknowledgement of receipt of the goods. Based on our experiences the majority of the clients would simply fail to comply with our request to send acknowledgement of receipt.
- Often stores are quite hesitant to accept bank transfers because in Hungary private persons cannot claim payment via bank.

**Finding No. 24: Donor Report monitoring needs enhancement**

*Finding Closed*

The country office has a monitoring mechanism in place. Progress reports are always submitted in time to the Donor, otherwise notification is received from them (which has not happened in the past years). Reporting dates have been inserted in Outlook calendar. As mentioned during the internal audit, submitted progress reports serve as payment requests. We have daily and good relationship with donors. We have no influence on the collection of receivables, as payments are made upon approval of reported expenses by donor.



International Organization for Migration (IOM)  
The UN Migration Agency

**Finding No. 25: Weaknesses in project financial monitoring**

***Finding Closed***

Regular budget monitoring/expenditure review – as required by the Financial Management Rules and Procedures - is done during the bimonthly reporting as mission is required to submit complete supporting documentation for every expense. If a cost is not relevant or incorrectly charged, it is spotted during the report preparation.

No capacity on Finance to do monthly reports and we do not see the added value. Any issue that is identified during the bi-monthly monitoring is highlighted to the Project Manager. In addition, Project Managers can use PRISM reporting tools on their own and read and understand the financial reporting files correctly. Project Managers are supported by the Finance and Admin Department and the Resource Management Officer.

**OIG/Internal Audit Comment:**

**OIG - Internal Audit takes note of the action taken by the Office to close the recommendations and strongly encourages the implementation of the two remaining pending recommendation.**