



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Berlin
DE201701
15 - 23 NOVEMBER 2017

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Report on the Audit of IOM Berlin
Executive Summary
Audit File No. DE201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Berlin, Germany (the "Country Office") from 15 to 23 November 2017. 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 1 January 2016 to 30 September 2017. The Country Office (including the Global Migration Data Analysis Centre (GMDAC)) recorded the following expenses based on IOM financial records:

- 2016 - USD 50,297,560 representing 3.14 % and 33.1 % of IOM Total and European Economic Area Region, respectively.
- 1 January to 30 September 2017 - USD 27,152,204 representing 2.36 % and 18 % of IOM Total and European Economic Area 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. Bank signatories
2. Delegation of Authority matrix
3. Staff Regulations and Rules

Key recommendations: Total = 30; Very High Priority = 1; High Priority = 2; Medium Priority = 20; Low Priority = 7

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 for Finance and Accounting:

- Ensure IOM policies and procedures for bank signatory and segregation of duties are in place.

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.

There are two (2) high priority recommendations, one recommendation each for Management and Administration and Personnel. These recommendations aim to ensure that the assets of IOM are properly safeguarded, its staff welfare assured and that efficient and effective operation is in place.

These are as follows:

- The Country Office should amend the delegation of authority matrix including the authorization levels for payments and disbursements and setting clear lines of accountability and responsibility between GMDAC and the Country Office’s regular operations.
- Fully comply with the provisions of the local Staff Regulations and Rules for the computation of overtime.

There remains another 20 Medium priority recommendations consisting of: Three (3) recommendations each in Management and Administration and Personnel; Seven (7) in Finance and Accounting; One (1) recommendation each in Procurement and Logistics and Contracting; Two (2) in Information Technology; and three (3) 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 management and actions have been initiated to address them.

Management comments and action plans

Except for one (1) low priority recommendation, management accepted the twenty nine (29) recommendations and 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 Berlin, Germany, while operations are mainly conducted in Nuremberg. As of September 2017, the Country Office has 104 personnel categorized into: 1 official, 101 staff and 2 non-staff. GMDAC has 15 personnel categorized into: 5 officials, 6 staff and 4 non-staff.

The Country Office, including GMDAC, recorded the following expenses based on IOM financial records for the following periods:

- 2016 - USD 50,297,560 representing 3.14 % and 33.1 % of IOM Total and European Economic Area Region, respectively.
- 1 January to 30 September 2017 - USD 27,152,204 representing 2.36 % and 18 % of IOM Total and European Economic Area Region, respectively.

The Office has a total portfolio of 43 projects and total budget of USD 103.9 million. The top project by type:

- Fifteen projects for Return Assistance to Migrants and Government amounting to USD 59.7 million or 96.1 % 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 and High Priority Recommendations

Very High Priority Recommendation

1. Bank signatories

Certain Country Office officials have single signatory authority in the bank signatory list. Further, some authorized signatories have conflicting duties and responsibilities.

Very High Priority Recommendation:

- Ensure IOM policies and procedures for bank signatory and segregation of duties are in place.

Management agreed with the recommendations and is implementing them.

High Priority Recommendations

1. Delegation of Authority matrix

The current Authorization Matrix, with the approval levels as per typology of transactions and authorized staff members from IOM Germany (including GMDAC), is deficient.

High Priority Recommendation:

- The Country Office should amend the Delegation of Authority matrix including the authorization levels for payments and disbursements and setting clear lines of accountability and responsibility between GMDAC and the Country Office’s regular operations.

Management agreed with the recommendations and is implementing them.

2. Staff Regulations and Rules

The Unified Staff Regulations and Rules are not yet implemented in Germany for the local staff. However, the local Staff Regulations and Rules, which is in place showed deviation on how overtime is compensated.

High Priority Recommendation:

- Fully comply with the provisions of the local Staff Regulations and Rules for the computation of overtime.

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.