IOM International Organization for Migration

EXECUTIVE SUMMARY

INTERNAL AUDIT REPORT

IOM Country Office Cairo

EG201701

19 – 30 March 2017

Issued by the Office of the Inspector General

Report on the Audit of IOM Country Office Cairo
Executive Summary
Audit File No. EG201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Cairo, Egypt (the "Country Office") from 19 to 30 March 2017. The internal audit was 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 1 January 2015 to 31 December 2016. The office recorded the following expenses based on IOM financial records:

- 2015 - USD 10,000,000 representing less than 1 % and 4 % of IOM Total and Middle East and North Africa Region, respectively.
- 2016 - USD 19,000,000 representing 1 % and 6% of IOM Total and Middle East and North 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 ensure 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 that 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 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. Sustainability of the Country Office
2. Petty Cash fund
3. Imprest account for direct assistance to beneficiaries
4. Salaries of interpreters
5. Procurement
6. Use of mobile phones
7. Contracts review
8. Miscellaneous Income Project
9. Donor reports

Key recommendations: Total = 35; High Priority = 10; Medium Priority = 19; Low Priority =6

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, three (3) recommendations for Procurement and Logistics, one (1) recommendation for Contracting and two (2) recommendations for Programme and Operations. These recommendations aim to ensure that operation remains sustainable, the assets of IOM are properly safeguarded, and that efficient and effective operation is in place.

   These are as follows:
   - Continue to monitor the office structure and pursue funding for future projects
   - Strengthen controls in conformance with IOM rules on vendor verification and evaluation, and procurement of goods and services
   - Closely monitor the implementation of the activities to avoid delays
   - Review the reasonability of the number of voice and data lines allocated to each staff and verify appropriateness of charges
   - Comply with IOM rules on delegation of authority for concluding contracts and agreements
   - Separate the Miscellaneous Income between the Country Office and the Regional Office to establish the proper ownership and accountability.
   - Appropriate review measures should be implemented prior to the submission of reports to donors.

2. Three (3) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.

    - Establish strong controls over petty cash handling
    - Revisit the mode of payment of direct assistance to beneficiaries
    - Establish strong internal controls to ensure that payments of salaries of interpreters are valid, accurate, timely, and complete

Except in the areas of Contracting and Information Technology, there remains another 19 Medium priority recommendations consisting of: Seven (7) recommendations in Management and Administration; Five (5) in Personnel; Two (2) in Finance and Accounting; Two (2) in Progamme and Operations; and Three (3) in Procurement and Logistics, 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) has been discussed directly with management and actions have been initiated to address them.

Management comments

Management has not provided any feedback on the recommendations provided in this report.

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 Office

The Main Office is located in Cairo, Egypt. As of February 2017, the office has 233 personnel categorized into: 18 officials, 135 staff and 80 non-staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 2015 - USD 10,000,000 representing less than 1% and 4% of IOM Total and Middle East and North Africa Region, respectively.
- 2016 - USD 19,000,000 representing 1% and 6% of IOM Total and Middle East and North Africa Region, respectively.

The Office has a total portfolio of eighty six (86) projects and total budget of USD 29.6 million from January 2015 to December 2016. The top two projects by type:

- 28 Projects for Resettlement Assistance amounting to USD 10.2 million or 35% of the budget.
- 13 Projects on Counter Trafficking amounting to USD 6.5 million or 22% 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 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. Sustainability of the Country Office

   The Executive Order issued by a donor country in January 2017 may result to the unpredictability of donor funding in the future which creates a potential risk on the sustainability of the Country Office.

   High Priority Recommendation:

   - Continue to monitor the office structure and pursue funding for future projects

2. Petty Cash fund

   There were several non-compliances with IOM guidelines on petty cash handling, such as large amount of cash disbursements, among others.

   High Priority Recommendation:

   - Establish strong controls over petty cash handling

3. Imprest account for direct assistance to beneficiaries

   There were noted issues on the segregation of duties, accountability, ownership and tracking of the imprest account established for the payment of direct assistance to beneficiaries.

   High Priority Recommendation:

   - Revisit the mode of payment of direct assistance to beneficiaries

4. Salaries of interpreters

   There were noted deficiencies in handling the payment, accounting, and recording of salaries of interpreters and weaknesses in the review procedures performed by the Finance unit over these transactions.

   High Priority Recommendation:

   - Establish strong internal controls to ensure that payments of salaries of interpreters are valid, accurate, timely, and complete

5. Procurement
    - There were noted deficiencies in vendor verification, selection, and evaluation process.
    - There were several old outstanding Purchase Orders where the expected delivery date based on the agreed timelines with vendors have already passed, with the oldest dated May 2016.

    High Priority Recommendations:
    - Strengthen controls in conformance with IOM rules on vendor verification and evaluation; and procurement of goods and services
    - Closely monitor the implementation of the activities to avoid delays

6. Use of mobile phones

    The issue on the excessive use of mobile phone lines raised in previous audits has not been resolved yet and the number of phone lines even increased from 122 to 190.

    High Priority Recommendation:
    - Review the reasonability of the number of voice and data lines allocated to each staff and verify appropriateness of charges

7. Contracts Review

    There were noted deficiencies in the review/endorsement process of long term agreements and deeds of donation.

    High Priority Recommendation:
    - Comply with IOM rules on delegation of authority for concluding contracts and agreements

8. Miscellaneous Income Project

    There was Ineffective monitoring of Miscellaneous Income Project and inaccurate recording of related revenues.

    High Priority Recommendation:
    - Separate the Miscellaneous Income between the Country Office and the Regional Office to establish the proper ownership and accountability.

9. Donor Reports

    There were noted discrepancies in the narrative report submitted to donor.

    High Priority Recommendation:
    - Appropriate review measures should be implemented prior to the submission of reports to donors.

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 portray 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.