



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Madrid
ES201801
14 – 18 May 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Madrid
Executive Summary
Audit File No. ES201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Madrid, Kingdom of Spain (the “Country Office”) from 14 to 18 May 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 September 2016 to March 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 – USD 2,181,012 representing 0.14 per cent and 1.09 per cent of IOM Total and European Economic Area Region, respectively.
- January to March 2018 – USD 449,620 representing 0.11 per cent and 0.97 per cent 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. Projects funding
2. Human resources documentation
3. Corporate credit cards
4. Financial management

There was satisfactory performance noted in Information Technology.

Key recommendations: Total = 15; High Priority = 4; Medium Priority = 10; Low Priority =1

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 each for Management and Administration, and Personnel. These recommendations aim to ensure that the assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.
 - Explore new funding sources and diversify its portfolio.
 - Ensure completeness of human resources documentations following IOM guidelines.
2. Two (2) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office’s financial and operational information.
 - Obtain the necessary approvals on the issued credit cards and strictly observe IOM guidelines on the use of corporate credit cards.
 - Formalize projectization of staff common costs and periodically update financial situation.

There remain another 10 Medium priority recommendations consisting of, 2 recommendations in Personnel, 4 recommendations in Finance and Accounting, 2 recommendations in Procurement and Logistics, and 1 recommendation each in Contracting, and 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 recommendation (not included in this Executive Summary) had been discussed directly with management and actions have been initiated to address them.

Management comments and action plans

All 15 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 Madrid, Kingdom of Spain. As of March 2018, the Country Office has 18 personnel categorized into: 17 staff and 1 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 – USD 2,181,012 representing 0.14 per cent and 1.09 per cent of IOM Total and European Economic Area Region, respectively.
- January to March 2018 – USD 449,620 representing 0.11 per cent and 0.97 per cent of IOM Total and European Economic Area Region, respectively.

The Country Office has a total portfolio of 29 projects and total budget of USD 2,444,969. The top 2 projects by type:

- 4 Projects for Return and Reintegration Assistance for Migrants and Governments Projects amounting to USD 1,422,807 or 58 per cent of the budget.
- 8 Projects for Migrant Processing and Integration amounting to USD 607,267 or 25 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.”

2. Satisfactory performance was noted in Information Technology.

IV. Key Findings and High Priority Recommendations

1. Projects funding

The terms and conditions set forth in existing projects funding are not fully consistent with IOM policies, internal procedures or standards. As a result, the Country Office had to discontinue the long lasting programme implementation which may significantly impact its future sustainability.

High Priority Recommendation:

- Explore new funding sources and diversify its portfolio.

2. Human resources documentation

Human resources files lack the relevant documentation such as terms of reference, training certificates, to name a few.

High Priority Recommendation:

- Ensure completeness of human resources documentations following IOM guidelines.

3. Corporate credit card

The Country Office did not comply with the IOM guidelines on obtaining approval, process of issuance and use of IOM corporate credit cards.

High Priority Recommendation:

- Obtain the necessary approvals on the issued credit cards and strictly observe IOM guidelines on the use of corporate credit cards.

4. Financial management

There was no clear projectization of the staff common costs. Further, there was weak budget monitoring and poor financial forecasting.

High Priority Recommendation:

- Formalize projectization of staff common costs and periodically update financial situation.

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.