



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Addis Ababa
ET201801
13 - 21 September 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Addis Ababa
Executive Summary
Audit File No. ET201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Addis Ababa, Ethiopia (the “Country Office”) from 13 to 21 September 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 January 2017 to September 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 – USD 15,661,093 representing 1 per cent and 7 per cent of IOM Total and Eastern and Horn of African Region, respectively.
- As of September 2018 – USD 22,945,645 representing 2 per cent and 12 per cent of IOM Total and Eastern and Horn of 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 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. Delegation of authority matrix and organizational structure
2. Project budget monitoring
3. Accounting procedures and documentation
4. Vendor management
5. Procurement process
6. Reporting capacity and data validation
7. Displacement tracking matrix project

Key recommendations: Total = 31; High Priority = 7; Medium Priority = 18; 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, 2 recommendations each in Procurement and Logistics and Programme Operations. 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.
 - Suggest updating the delegation of authority matrix and review and re-assign existing roles in the system as appropriate.
 - Strengthen budget monitoring mechanisms and specifically, establish tighter budget checks/controls when project is nearing its end-date.
 - Ensure that the procurement process is carried out following IOM guidelines.
 - The country office should coordinate with all organizational entities involved to improve its reporting capacity and data validation.
 - Improve governance over Displacement Tracking Matrix project activities.
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.
 - Fully comply with IOM accounting policies and guidelines.
 - Fully comply with IOM guidelines on vendor management.

There remain 18 Medium priority recommendations consisting of 4 recommendations in Management and Administration, 2 recommendations in Personnel, 5 recommendations in Finance

and Accounting, 1 recommendation each in Procurement and Logistics and Contracting, and 5 recommendations 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

Out of the 31 recommendations, 19 were already implemented and closed as of July 2020, including all 7 key findings and high priority recommendations presented. Management is in the process of completing the remaining recommendations. 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 Addis Ababa, Ethiopia. As of September 2018, the Country Office has 398 personnel categorized into: 32 officials, 296 staff and 70 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 – USD 15,661,093 representing 1 per cent and 7 per cent of IOM Total and Eastern and Horn of African Region, respectively.
- As of September 2018 – USD 22,945,645 representing 2 per cent and 12 per cent of IOM Total and Eastern and Horn of Africa Region, respectively.

The Country Office has a total portfolio of 141 projects and a total budget of USD 82,771,403. The top 2 projects by type:

- 37 Projects for Disaster Preparedness amounting to USD 35,801,147 or 43 per cent of the budget.
- 15 Projects on Resettlement Assistance amounting to USD 11,944,796 or 14 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.”*

IV. Key Findings and High Priority Recommendations

1. Delegation of authority matrix and organizational structure

The delegation of authority matrix is not updated. In addition, there were inconsistencies and incompatible roles noted in the present organizational structure and roles allocated in the system.

High Priority Recommendation:

- Suggest updating the delegation of authority matrix and review and re-assign existing roles in the system as appropriate.

2. Project budget monitoring

Several gaps were identified during the review of project’s financial records/entries.

High Priority Recommendation:

- Strengthen budget monitoring mechanisms and specifically, establish tighter budget checks/controls when project is nearing its end-date.

3. Accounting procedures and documentations

Several deviations from the accounting policies and guidelines, erroneous data entry, and deficient approvals and documentation were noted.

High Priority Recommendation:

- Fully comply with IOM accounting policies and guidelines.

4. Vendor management

There was no proper vendor evaluation, monitoring or review of vendor transactions and data.

High Priority Recommendation:

- Fully comply with IOM guidelines on vendor management.

5. Procurement process

There were several weaknesses noted in the documentation and processing of purchase orders.

High Priority Recommendation:

- Ensure that the procurement process is carried out following IOM guidelines.

6. Reporting capacity and data validation

The country office supports projects through a systematic reporting and information sharing with the Donor. However, the institutional systems in place do not guarantee the reliable reporting of information from a programmatic and financial perspective.

High Priority Recommendation:

- The country office should coordinate with all organizational entities involved to improve its reporting capacity and data validation.

7. Displacement tracking matrix project

There were deficiencies noted in displacement tracking matrix project activities implemented by the country office.

High Priority Recommendation:

- Improve governance over displacement tracking matrix project activities.

Management agreed with the recommendations. All seven key findings and high priority recommendations presented were implemented and closed.

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.