IOM International Organization for Migration

**EXECUTIVE SUMMARY**

**INTERNAL AUDIT REPORT**

**IOM Yaoundé**

**CM202001**

**3 - 7 February 2020**

**Issued by the Office of the Inspector General**

**Report on the Audit of IOM Yaoundé**
**Executive Summary**
**Audit File No. CM202001**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Yaoundé (the "Country Office") from 3 to 7 February 2020. The internal audit aimed to assess 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.

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 2018 to 31 December 2019. The Country Office recorded the following expenses based on IOM financial records:

- 2018 – USD 5,103,792 representing 0.8 per cent and 65 per cent of IOM Total and West Africa Region, respectively.
- 2019 – USD 5,971,892 representing 0.3 per cent and 58 per cent of IOM Total and West Africa Region, respectively.

Because of the concept of selective testing of data and inherent limitation of the remote 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 Office as **largely ineffective,** which means that "significant control gaps exist. Either controls do not treat root causes, or they do not operate at all effectively".

This rating was mainly due to weaknesses noted in the following areas:
1. Fraudulent activities
2. Weak internal controls
3. Weak financial recording and monitoring
4. Procurement and logistics
5. Organization structure, roles, and accountabilities
6. Discontinued use of IOM's computerized system
7. Disbursement approvals and supporting documentation
8. e-Banking system controls and oversight
9. Selection and registration of vendors
10. Asset management
11. Fleet management
12. Data protection and management
13. Donor reporting delays

**Key recommendations: Total = 20; Very High Priority = 4; High Priority = 9; Medium Priority = 7**

**Very High Priority Recommendations**

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 are 4 Very High priority recommendations consisting of 2 recommendations for Management and Administration, 1 recommendation each for Finance and Accounting, and Procurement and Logistics. These are as follows:

- o Strictly implement internal controls prescribed by IOM guidelines.
- o Pursue remedial steps to address the internal control weaknesses noted in compliance with IOM guidelines.
- o Strengthen the financial recording and monitoring process to comply with IOM guidelines.
- o Strengthen the internal control environment over procurement and logistics to comply with IOM guidelines.

**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 9 High priority recommendations are presented below:

1. One (1) recommendation for Management and Administration, 3 recommendations for Procurement and Logistics and 2 recommendations for Programme and 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.

- o Formalize and clarify the roles of a key officer, including his areas and levels of accountability over the Country Office's operations.
- o Eliminate the practice of manual purchase orders and return to using IOM's computerized system.
- o Strengthen internal controls over asset management.
- o Establish standard operating procedures and internal controls over the usage of vehicles.
- o Provide adequate backup servers for critical data.
- o Create a monitoring mechanism or reporting calendar comprising all the projects' reporting deadlines.

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.

- o Improve controls over documentation of supports and approval process of disbursements.
- o Ensure that only properly verified and approved vendors are registered in the e-banking system and in the IOM vendor system.
- o Establish a complete vendor verification process and review the integrity of all quotations received to ensure their validity and correctness.

There are 7 Medium priority recommendations consisting of 2 recommendations in Management and Administration, 3 recommendations in Personnel, and 1 recommendation each in Contracting and Information Technology 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**

All 20 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 Yaoundé, Cameroun. As of 7 February 2020, the Country Office has 80 personnel categorized into 10 officials, 64 staff and 6 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2018 – USD 5,103,792 representing 0.8 per cent and 65 per cent of IOM Total and West Africa Region, respectively.
- 2019 – USD 5,971,892 representing 0.3 per cent and 58 per cent of IOM Total and West Africa Region, respectively.

The Country Office has a total portfolio of 49 projects and a total budget of USD 17,772,673. The top 2 projects by type:

- 2 Projects for Return and Reintegration of Migrants amounting to USD 8,514,044 million or 50 per cent of the budget.
- 1 Project on Migration Health amounting to USD 1,791,826 million or 10 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 Office as **largely ineffective** which means that "significant control gaps exist. Either controls do not treat root causes, or they do not operate at all effectively".

### IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendations:

1. Fraudulent activities
   Aside from fraudulent activities noted in 2019, there were more potentially fraudulent activities that were spotted during the review. These were referred to OIG Investigations for further appraisal.

   Very High Priority Recommendations:
   - o Strictly implement internal controls prescribed by IOM guidelines.

2. Weak internal controls
   Several areas of internal control environment were found not adequately functioning and needs urgent attention, in particular, the delegation of authority mapping.

   Very High Priority Recommendation:
   - o Pursue remedial steps to address the internal control weaknesses noted in compliance with IOM guidelines.

3. Weak financial recording and monitoring
   There were several gaps noted in financial recording and monitoring such as, substantial number of cost reversals, delays in month end closings and untimely and incomplete submission of accounting returns, among others.

   Very High Priority Recommendation:
   - o Strengthen the financial recording and monitoring process to comply with IOM guidelines.

4. Procurement and logistics
   Procurement and Logistic activities remain largely not controlled, with key deficiencies noted such as sharing of log-in credentials.

   Very High Priority Recommendation:
   - o Strengthen the internal control environment over procurement and logistics to comply with IOM guidelines.

II. High Priority Recommendations:

1. Organization structure, roles, and accountabilities
   The current setting and organizational structure do not provide clear roles and responsibilities, accountability, internal controls, and coherence among the Country Office programmes and operations.

   High Priority Recommendation:
   - o Formalize and clarify the roles of a key officer, including his areas and levels of accountability over the Country Office's operations.

2. Discontinued use of IOM's computerized system
   The Country Office discontinued using IOM's computerized system and reverted to manual processing of purchase orders. Hence, resulting to problematic budget and financial monitoring and other processing delays.

   High Priority Recommendation:
   - o Eliminate the practice of manual purchase orders and return to using IOM's computerized system.

3. Disbursement approvals and supporting documentation
   There were questions on the integrity of supporting documents and inadequacy of the approval process over disbursements.

   High Priority Recommendation:
   - o Improve controls over documentation of supports and approval process of disbursements.

4. e-Banking system controls and oversight
   There is no assurance that vendors registered in the e-banking system undergo a verification and approval process and duly reconciled with the vendors in IOM system.

   High Priority Recommendation:
   - o Ensure that only properly verified and approved vendors are registered in the e-banking system and in the IOM vendor system.

5. Selection and registration of vendors
   There is no adequate vendor verification, or supervision of the selection and registration of vendors.

   High Priority Recommendation:
   - o Establish a complete vendor verification process and review the integrity of all quotations received to ensure their validity and correctness.

6. Asset management
   The Country Office does not have in place strong controls over acquisition, maintenance, recording and tagging of assets.

High Priority Recommendation:
- o Strengthen internal controls over asset management.

7. Fleet management
   There are no standard operating procedures over usage of vehicles where duties and responsibilities of the drivers, procedures for inspection and reports related to the vehicles are clearly defined.

   High Priority Recommendation:
   - o Establish standard operating procedures and internal controls over the usage of vehicles.

8. Data protection and management
   Sensitive data is stored in a hard disk laptop, not protected, or backed up, hence, vulnerable in case of theft or loss.

   High Priority Recommendation:
   - o Provide adequate backup servers for critical data.

9. Donor reporting delays
   The analysis of the donor reporting of projects showed systematic delays.

   High Priority Recommendation:
   - o Create a monitoring mechanism or reporting calendar comprising all the projects' reporting deadlines.

*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. |