



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Baghdad
IQ201801
2 - 16 April 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Baghdad
Executive Summary
Audit File No. IQ201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Baghdad, Iraq (the “Country Office”) 2 to 16 April 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 2016 to December 2017. The Country Office recorded the following expenses based on IOM financial records:

- 2016 - USD 88,765,626 representing 5.56 per cent and 27.74 per cent of IOM Total and Middle East, North Africa Region, respectively.
- 2017 - USD 117,405,536 representing 7.34 per cent and 37.22 per cent of IOM Total and Middle East, North Africa Region, respectively.

The last internal audit of the Country Office was in March 2016.

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. Rental of vehicles
2. Construction contracts
3. Delegation of authority
4. Bank signatories
5. Cash accounts
6. Travel administration
7. Number of recorded vehicles
8. Insurance policies
9. Non-food items to beneficiaries
10. Lease agreements
11. Donor reporting
12. Distribution of beneficiary items
13. Documentation of items distributed to beneficiaries
14. Incentives paid to government employees

Key recommendations: Total = 35; Very High Priority = 2; High Priority = 12; Medium Priority = 18; Low Priority = 3

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 is one (1) Very High Priority recommendation in Procurement and Logistics and one (1) in Programme and Operations, as follows:

- Revisit the terms of agreement with the intermediary company and renegotiate, if necessary.
- Ensure all Certificates of Provisional Acceptance and Certificates of Final Acceptance issued follow IOM guidelines.

High Priority Recommendations

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. Three (3) recommendations in Procurement and Logistics; one (1) recommendation in Contracting; and four (4) recommendations in Programme and Operations. These recommendations aim to ensure that assets of IOM are properly safeguarded and that IOM operations are effective and efficient.
 - Correct the inaccuracies in the recordkeeping and revisit the number of vehicles if these are sufficient to support the operations.
 - Ensure all insurable assets are covered with insurance policies.
 - Ensure that the warehouse manager timely informs Procurement and Logistics and Programme Managers of the remaining non-food items in storage.
 - Revisit the amount of space required to operate the Country Office as well as improve the bids and award process to make this more transparent.
 - Improve the monitoring and follow ups of donor reports for submission.
 - Align the procurement of beneficiary items with project planning to ensure timely distribution of items to avoid build-up and expiry of inventories.
 - The distribution lists signed by the beneficiaries should be linked to its related purchase order in order to satisfy donor requirements and ensure eligibility of costs.
 - Evaluate the approach taken and consult with Office of Legal Affairs to ensure full compliance with IOM and local labour laws.

2. There are four (4) recommendations in Finance in Accounting directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
 - Fully comply with IOM guidelines in the development of delegation of authority matrix.
 - Signatory panels must be reviewed routinely to ensure that the information is current and that there are sufficient but not too many bank signatories.
 - Ensure proper and adequate controls are in place over its cash accounts following IOM guidelines.
 - Gaps noted in the tracking/monitoring of travels need to be addressed immediately. Mission specific guidelines for rest and recuperation in IOM Baghdad need to be revised to align with IOM guidelines.

There remain another 18 Medium priority recommendations consisting of: 3 recommendations in Management and Administration, 2 recommendations in Personnel, 8 recommendations in Finance and Accounting, 2 recommendations in Procurement and Logistics, 1 recommendation in Contracting, and 2 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

Management is in the process of implementation or 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 Baghdad, Iraq. As of 21 March 2018, the Country Office has 333 personnel categorized into: 71 officials, 252 staff and 10 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2016 - USD 88,765,626 representing 5.56 per cent and 27.74 per cent of IOM Total and Middle East, North Africa Region, respectively.
- 2017 - USD 117,405,536 representing 7.34 per cent and 37.22 per cent of IOM Total and Middle East, North Africa Region, respectively.

The Country Office has a total portfolio of 148 projects and a total budget of USD 236,990,986.14. The top 2 projects by type:

- 49 projects for Emergency Response and Assistance to Displaced Populations amounting to USD 118,343,677.52 or 49.94 per cent of the budget.
- 19 projects on Community Stabilization amounting to USD 61,937,432.30 or 26.13 per cent of the budget.

The last audit was on March 2016 wherein the overall rating was “Largely ineffective”.

Implementation status of previous OIG audit recommendations: Audit Report No. IQ201601 - IOM Baghdad; total recommendations: 28; out of the 28 recommendations 27 had been accepted and implemented.

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

I. Very High Priority Recommendations

1. Rental of vehicles

From January 2018, the Country Office changed from individual contracts to the contract with an intermediary company.

There were noted weaknesses in the transparency of the contract bidding and awarding process to this intermediary company. In addition, the terms of the agreement required the payment of additional service fees which were found to be not cost effective and lacking and untimely documentations.

Very High Priority Recommendation:

- Revisit the terms of agreement with the intermediary company and renegotiate, if necessary.

2. Construction Contracts

There were noted deficiencies in the administration of construction contracts such as but not limited to inadequate supporting documents, timeliness of issuance and accuracy of certificate of provisional acceptance and certificate of final acceptance of the project.

Very High Priority Recommendation:

- Ensure all certificate of provisional acceptance and certificate of final acceptance issued follow IOM guidelines.

II. High Priority Recommendations

1. Delegation of authority

There were noted deviations from existing policies in place as well as missing guidelines for certain transactions in the established delegation of authority matrix in place.

High Priority Recommendation:

- Fully comply with IOM guidelines in the development of delegation of authority matrix.

2. Bank Signatories

The bank signatory panels, composing of panels A and B are were not properly established based on a correct segregation of duties and seniority of staff members.

High Priority Recommendation:

- Signatory panels must be reviewed routinely to ensure that information is current and that there are sufficient but not too many bank signatories.

3. Cash accounts

There were significant weaknesses noted in the internal controls over cash accounts which creates risk of fund mismanagement.

High Priority Recommendation:

- Ensure proper and adequate controls are in place over its cash accounts following IOM guidelines.

4. Travel administration

There were noted gaps in the manner of tracking/monitoring of all travels made. Further, there are also inconsistencies in the application of mission specific guidelines for rest and recreation of staff.

High Priority Recommendation:

- Gaps noted in the tracking/monitoring of travels need to be addressed immediately. Mission specific guidelines for rest and recreation in IOM Baghdad need to be revised to align with IOM guidelines.

5. Number of recorded vehicles

The number of armored vehicles and soft vehicles in Baghdad and Erbil offices do not match the number of vehicles recorded in books. In addition, vehicle descriptions are not accurately recorded.

High Priority Recommendation:

- Correct the inaccuracies in the recordkeeping and revisit the number of vehicles if these are sufficient to support the operations.

6. Insurance policies

There were noted inaccurate information on assets covered as well as assets not included in the insurance policies.

High Priority Recommendation:

- Ensure all insurable assets are covered with insurance policies.

7. Non-food items to beneficiaries

Warehouses in Erbil office are mostly stored with non-food items for the beneficiaries. The warehouse is well organized, but there are many items that were not distributed to beneficiaries.

High Priority Recommendation:

- Ensure that the warehouse manager timely informs Procurement and Logistics and Programme Managers of remaining non-food items in storage.

8. Lease agreements

The submitted bids of the three lessors were found to be not comparable in terms of specifications raising questions on the bids and awards process. Moreover, there were also inconsistencies on the technical description of the leased space in the contract of the winning bidder and the actual leased space.

High Priority Recommendation:

- Revisit the amount of space required to operate the Country Office as well as improve the bids and award process to make this more transparent.

9. Donor reporting

Submission of interim as well as donor reports were observed to be chronically delayed.

High Priority Recommendation:

- Improve the monitoring and follow ups of donor reports for submission.

10. Distribution of beneficiary items

Delays in the distribution of beneficiary items stem from a number of reasons such as the procurement and logistics delays and/or transport/access issues to distribution sites.

High Priority Recommendation:

- Align the procurement of beneficiary items with project planning to ensure timely distribution of items to avoid build-up and expiry of inventories.

11. Documentation of items distributed to beneficiaries

The distribution lists signed by the beneficiaries were not attached to the payment voucher package and were not linked to a particular purchase order. Instead, distribution lists are prepared per day and per location.

High Priority Recommendation:

- The distribution lists signed by the beneficiaries should be linked to its related purchase order in order to satisfy donor requirements and ensure eligibility of costs.

Management agreed with the recommendations and is implementing them.

12. Incentives paid to government employees

Payments have been made to government employees in the form of “incentives” and were charged to donor projects.

High Priority Recommendation:

- Evaluate the approach taken and consult with Office of Legal Affairs to ensure full compliance with IOM and local labour laws.

Management started to implement the recommendation.

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.