



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Amman
JO201701
7 - 18 May 2017

Issued by the Office of the Inspector General

Report on the Audit of IOM Amman
Executive Summary
Audit File No. JO201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Amman, Jordan (the "Country Office") from 7 to 18 May 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 Country Office recorded the following expenses based on IOM financial records:

- 2015 - USD 44,367,195 representing 3% and 18% of IOM Total and Middle East, North Africa Region, respectively.
- 2016 - USD 88,779,020 representing 6% and 28% of IOM Total and Middle East, 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 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. Business Continuity Plan and Risk Management Strategy
2. Payroll processing
3. Staff security certificates
4. Reclassification of expenses
5. Cash payments and handling
6. One-Time Vendor accounts
7. Leasehold improvements
8. Vendor selection
9. Receipt of Goods and services
10. Purchase Requisitions
11. Vendor contracts

There was satisfactory performance noted in Information Technology.

Key recommendations: Total = 32; High Priority = 12; Medium Priority = 20

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, two (2) recommendations Personnel, three (3) for Procurement and Logistics, and one (1) in Contracting. These recommendations aim to ensure that the assets of IOM are properly safeguarded and staff welfare is secured.
 - Formalize Business Continuity Plan and risk management strategy
 - Fully comply with IOM regulations and rules on payroll processing and review
 - Consistently comply with IOM’s Staff Safety Security policies
 - Strengthen controls over bidding process and vendor selection
 - Consistently comply with IOM regulations and rules in the receipt of goods and services
 - Fully comply with the initiation of Purchase Requisitions for all purchases made
 - Improve adherence to contract terms and required documentation from Implementing Partners
2. Five (5) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office’s financial and operational information.
 - Comply with IOM accounting procedures for the preparation and approval of journal entries to reclassify expenses

- Strictly comply with IOM regulations and rules on cash payments to vendors
- Timely recordkeeping of cash transactions and stricter compliance with IOM rules on cash handling
- Strictly comply with IOM rules in the use of One-time vendor accounts
- Costs of renovations should strictly follow capitalization policies of fixed assets

Except in the area of Information Technology, there remains another 20 Medium priority recommendations consisting of: Three (3) recommendations in Management and Administration; Four (4) recommendations in Personnel; Three (3) in Finance and Accounting; Seven (7) recommendations in Procurement and Logistics; Two (2) recommendations in Contracting; and One (1) recommendation 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.

Management comments and action plans

Except for 1 medium recommendation, all 31 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 Amman, Jordan. As of 31 December 2016, the Country Office has 522 personnel categorized into: 55 officials, 362 staff and 105 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2015 - USD 44,367,195 representing 3 % and 18 % of IOM Total and Middle East, North Africa Region, respectively.
- 2016 - USD 88,779,020 representing 6 % and 28 % of IOM Total and Middle East, North Africa Region, respectively.

The Office has a total portfolio of eighty-four (84) projects and total budget of USD 169,777,209. The Top two projects by type:

- 26 Projects for resettlement assistance amounting to USD 97.1 million or 57 % of the budget.
- 1 Project on overseas processing entity amounting to USD 34.7 million or 20 % 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. Business Continuity Plan and Risk Management Strategy

Aside from the information disaster recovery procedures in place, the Country Office does not have a comprehensive Business Continuity Plan. While there is a four-year strategic plan in place, there is no risk management strategy to assess the potential issues that may prevent the Country Office from achieving its plans.

High Priority Recommendation:

- Formalize Business Continuity Plan and risk management strategy.

Management agreed with the recommendations and is implementing them.

3. Payroll processing

There were noted deficiencies in the payroll processing and review process performed by the Country Office.

High Priority Recommendation:

- Fully comply with IOM regulations and rules on payroll processing and review.

Management agreed with the recommendations and is implementing them.

3. Staff security certificates

There was no proper filing and maintenance of staff security certificates.

High Priority Recommendation:

- Consistently comply with IOM's Staff Safety Security policies.

Management agreed with the recommendations and is implementing them.

4. Reclassification of expenses

The non-cash vouchers for the monthly resettlement service fee entries and related reclassification of expenses were not properly prepared and approved for posting in the IOM financial accounting system.

High Priority Recommendation:

- Comply with IOM accounting procedures for the preparation and approval of non-cash vouchers and reclassification of expenses.

Management agreed with the recommendations and is implementing them.

5. Cash payments and handling

- Cash payments are not recorded at the time when the cash is paid and against the vendor account receiving the cash payment. Cash given to a staff or consultant on behalf of vendors were not posted as staff advance.
- There were significant deficiencies noted in the cash handling procedures.

High Priority Recommendations:

- Strictly comply with IOM regulations and rules on cash payments to vendors.
- Timely recordkeeping of cash transactions and stricter compliance with IOM rules on cash handling.

Management agreed with the recommendations and is implementing them.

6. One-Time Vendor accounts

There were recurring payments for which no vendor was created in the financial accounting system and yet payments were processed via One-Time Vendor account.

High Priority Recommendation:

- Strictly comply with IOM rules in the use of One-Time Vendor accounts.

Management agreed with the recommendations and is implementing them.

7. Leasehold improvements

The renovation of the new building of Medical Unit was directly expensed to the projects rather than capitalized.

High Priority Recommendation:

- Costs of renovations should strictly follow capitalization policies of fixed assets.

Management agreed with the recommendations and is implementing them.

8. Vendor selection

There were noted deficiencies in the bidding process and lack of fairness in vendor selection.

High Priority Recommendation:

- Strengthen controls over bidding process and vendor selection.

Management agreed with the recommendations and is implementing them.

9. Receipt of goods and services

There were significant deficiencies noted in the receiving of goods and services.

High Priority Recommendation:

- Consistently comply with IOM regulations and rules in the receipt of goods and services.

Management agreed with the recommendations and is implementing them.

10. Purchase Requisitions

There were noted weaknesses in the requisition of goods and services. Some purchase requisitions were dated and signed after the related contract date. Further, some actual receipt of goods exceeded the quantities and values in the purchase requisitions.

High Priority Recommendations:

- Fully comply with the initiation of purchase requisitions for all purchases made.

Management agreed with the recommendations and is implementing them.

11. Vendor contracts

There were certain terms of contract with vendors and documentation requirements which have not been fully complied with.

High Priority Recommendation:

- Improve adherence to contract terms and required documentation from implementing partners

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 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.