



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Regional Office Nairobi
KE201802
26 November - 5 December 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Regional Office Nairobi
Executive Summary
Audit File No. KE201802

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Regional Office Nairobi, Kenya (the “Regional Office”) from 26 November to 5 December 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 Regional 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 Regional Office from January 2017 to October 2018. The Regional Office recorded the following expenses based on IOM financial records:

- 2017 - USD 3,828,652 representing 0.2 per cent of IOM Total.
- January to October 2018 - USD 7,079,597 representing 0.4 per cent of IOM Total.

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 Regional 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 Regional 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. Mandatory training on sexual exploitation and abuse
2. Organizational structure
3. Risk management
4. Resource management
5. Staff separation
6. PRISM HR set up
7. Vendor balances
8. Cash and bank balances
9. Procurement and logistics
10. Segregation of roles
11. Outsourcing process
12. Programme implementation

There was satisfactory performance noted in Contracting and Information Technology.

The Regional Support Unit is on the process of producing a project tracking visualization tool, which pulls data off the endorsement and project tracking excel sheet and populates a tool that can be used to research projects to see when the reports are due, monitoring data, etc.

Key recommendations: Total = 19; Very High Priority = 1; High Priority = 11; Medium Priority = 7

Very High Priority Recommendation

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 Very High Priority recommendation in Management and Administration:

- Ensure mandatory training on sexual exploitation and abuse are conducted to all contracted parties.

High Priority Recommendation

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 each for Management and Administration and Procurement and Logistics, 2 recommendations on Personnel, and one (1) recommendation in 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.

- Revisit the regional office's structure in coordination with the head office.
- Incorporate risk management framework in the management and decision-making process of the country offices.
- Develop a standard operating procedure to ensure all regional resource management personnel are able to perform their work consistently.
- Strictly observe IOM guidelines and procedures on separating staff members.
- The organizational structure in the system should be standardized and the basic country office structure should not be changed without the appropriate approval.
- Strengthen supervisory mechanism over the Regional Office Procurement and Logistics Officer to ensure compliance with expected terms of reference.
- Segregate oversight and support role from actual procurement and logistics role.
- Exercise effective oversight over the procurement activities and ensure a fair and transparent sourcing of vendors.
- Separate responsibilities of managing the two programmes and institute regular and effective oversight over the implementation progress.

1. Two (2) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Regional Office's financial and operational information.

- Investigate reason for long outstanding vendor balances and take appropriate action.
- Fully comply with IOM guidelines on cash management.

There are 7 Medium priority recommendations consisting of: 1 recommendation each in Management and Administration, Finance and Accounting, and Procurement and Logistics, and 4 recommendations in Personnel, which need to be addressed by the Regional Office within one year to ensure that such weaknesses in controls will not moderately affect the Regional Office's ability to achieve its entity or process objectives.

There were no low priority recommendations noted.

Management comments and action plans

Out of the 19 recommendations, 18 were already implemented and closed as of June 2020. Of the 12 key findings and high priority recommendations presented, only 1 remains open and management is in the process of implementing the remaining recommendation. 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 Regional Office

The Regional Office is located in Nairobi, Kenya. As of November 2018, the Regional Office has 54 personnel categorized into: 24 officials, 24 staff and 6 non-staff. The Regional Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 - USD 3,828,652 representing 0.2 per cent of IOM Total.
- January to October 2018 - USD 7,079,597 representing 0.4 per cent of IOM Total.

The Regional Office has a total portfolio of 16 projects and a total budget of USD 15,509,473. The top 2 projects by type:

- 2 Projects for Return Assistance for Migrants and Governments amounting to USD 5,376,457 or 35 per cent of the budget.
- 2 Projects for Operational Support Income amounting to USD 4,014,400 or 26 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 Regional 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 Regional 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. There was satisfactory performance noted in Contracting and Information Technology.

The Regional Support Unit is in the process of producing a project tracking visualization tool, which pulls data off the endorsement and project tracking Excel sheet and populates a tool that can be used to research projects to see when the reports are due, monitoring data, etc.

IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendation

1. Mandatory training on sexual exploitation and abuse

The prevention of sexual exploitation and abuse training conducted did not cover implementing partners, third-party contractors and consultants.

Very High Priority Recommendation:

- Ensure mandatory training on sexual exploitation and abuse are conducted to all contracted parties.

II. High Priority Recommendations

1. Organizational structure

The Regional Office structure is largely flat with 18 positions directly reporting to the Regional Director. Such may result in diminished accountability, organizational effectiveness and productivity.

High Priority Recommendation:

- Revisit the regional office’s structure in coordination with the head office.

2. Risk Management

There was no evidence of the regional office’s efforts to provide practical guidance or raise the awareness of the country offices within the region on the need to adopt a structured risk management.

High Priority Recommendation:

- Incorporate risk management framework in the management and decision-making process of the country offices.

3. Resource Management

There is no standardized regional resource management reporting process in place.

High Priority Recommendation:

- Develop standard operating procedures to ensure all regional resource management personnel are able to perform their work consistently.

4. Staff Separation

There were gaps noted in the separation clearance process for staff.

High Priority Recommendation:

- Strictly observe IOM guidelines and procedures on separating staff members.

5. PRISM HR set up

Due to the absence of limitations in the system, any staff with the organizational management administrative role could create any unit including a country office.

High Priority Recommendation:

- The organizational structure in the system should be standardized and the basic country office structure should not be changed without the appropriate approval.

6. Vendor balances

In terms of local vendor accounts, the country offices have longstanding vendor balances, some of which are over 90 days. There are also separated staff advances which will be hard to recover.

High Priority Recommendation:

- Investigate reason for long outstanding vendor balances and take appropriate action.

7. Cash and bank balances

Maintaining high cash balance for the purpose of paying daily subsistence allowance or travel expense claims cannot be justified since majority of the national staff have bank accounts due to payroll requirements.

High Priority Recommendation:

- Fully comply with IOM guidelines on cash management.

8. Procurement and Logistics

There was no proper mechanism established to facilitate effective supervision of the country office's procurement and logistics activities.

High Priority Recommendation:

- Strengthen supervisory mechanism over the regional office's Procurement and Logistics Officer to ensure compliance with expected terms of reference.

9. Segregation of roles

There was no proper separation of duties between the two staff assigned to perform procurement and logistics roles.

High Priority Recommendation:

- Segregate oversight and support role from actual procurement and logistics role.

10. Outsourcing process

The evaluation process for an outsourced third-party warehouse was not performed in a fair and a transparent manner.

High Priority Recommendation:

- Exercise effective oversight over the procurement activities and ensure a fair and transparent sourcing of vendors.

11. Programme implementation

There was slow pace of implementation of the two programmes under the oversight of the Regional Office.

High Priority Recommendation:

- Separate responsibilities of managing the two programmes and institute regular and effective oversight over the implementation progress.

Management agreed with the recommendations. Out of the 12 key findings and high priority recommendations presented, only 1 remain open and in the process of completing the implementation, related to cash and bank balances.

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.