



**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**NP202201 - IOM Kathmandu**  
**13 to 23 June 2022**

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

**Report on the Audit of IOM Kathmandu**  
**Executive Summary**  
**NP202201**

The Internal Audit function of the Office of the Inspector General's conducted an audit of IOM Kathmandu, Nepal (the "Country Office") from 13 to 23 June 2022. 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. Human Resources
- c. Finance and Accounting
- d. Procurement and Contracting
- e. Information and Communications Technology
- f. Programme and Operations

The audit covered the activities of the Country Office from May 2021 to April 2022. The Country Office recorded the following expenses based on IOM financial records:

- January to December 2021: USD 5,106,174
- January to May 2022: USD 3,176,157

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 **Partially Effective, some improvements needed** which means, few significant issue(s), or some moderate issues were noted. Internal controls, governance and risk management practices are adequately designed and well implemented, but a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.

This rating was mainly due to weaknesses noted in the following areas:

1. Organization structure
2. Recruitment process
3. Staff terms of reference
4. Cash management
5. Management of assets and inventories

**Key recommendations: Total = 19; High Priority = 5; Medium Priority = 11; Low Priority = 3**

## High Priority Recommendations

Prompt action to be initiated 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:

1. One recommendation for Management and Administration, two for Human Resources, and one for Procurement and Contracting. 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.
  - Increase staff complement in Country Office critical positions in coordination with Human Resources Administration Service.
  - Clearly specify in the vacancy notice the requisite qualifications and experiences for the position being filled.
  - Update terms of references of staff to reflect actual tasks performed.
  - Strictly comply with IOM guidelines on assets management.
2. One recommendation on Finance and Accounting is directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
  - Develop standard operating procedures for all offices for the receipt of cash from Health Assessment Program self-payers.

## Limitations on the Scope of the Audit

Because of the concept of selective testing of data and inherent limitation of internal auditing, there is no guarantee that all matters of significance to IOM will be discovered by Internal Audit. It is the responsibility of Country Office local management 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.


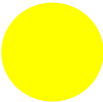


This report is intended solely for information and should not be used for any other purpose.

## ANNEXES

### 1.1 Definitions

#### Audit Opinion

Audit opinion on the overall adequacy of the internal controls, governance, and management processes, based on the number of audit findings and their risk levels.

Opinion		Definition
<b>Effective</b>		No significant and/ or material issue(s), or few moderate/ minor issues noted. Internal controls, governance and risk management processes are adequately designed, well implemented, and effective, to provide reasonable assurance that the objectives will be met.
<b>Partially Effective, some improvements needed</b>		Few significant issue(s), or some moderate issues noted. Internal controls, governance and risk management practices are adequately designed and well implemented, but a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
<b>Partially Effective, Major improvements needed</b>		Significant and/or material issues noted. Internal controls, governance and risk management practices are generally implemented, but have some weaknesses in design or operating effectiveness such that, until they are addressed, there is no reasonable assurance that the objectives are likely to be met.
<b>Ineffective</b>		Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

## Audit Recommendations – Priorities

The following internal audit rating has developed in line with **IOM Risk Management** framework for prioritizing internal audit findings according to their relative significance and impact to the process:

<b>Rating</b>	<b>Definition</b>	<b>Recommended action</b>	<b>Suggested timeframe</b>
<b>Very High</b>	Issue represents a control weakness which could cause severe disruption of the process or severe 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.	Action to be initiated in the short term, normally within 1 month.
<b>High</b>	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.	Action to be initiated in the medium term, normally within 3 months.
<b>Medium</b>	Issue represents a control weakness which could have significant adverse effect on the ability to achieve entity or process objectives.	Plan in keeping with all other priorities.	Action to be initiated in the longer term, normally within 1 year.
<b>Low</b>	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.	Action to be initiated at the discretion of the risk owner.