



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Payroll for Professional Staff
PA201802
May - December 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Payroll for Professional Staff
Executive Summary
Audit File No. PA201802

The IOM Office of the Inspector General (OIG) conducted an internal audit of Payroll for Professional Staff in Manila Human Resources Operations and Global Manila Administrative Centre from May to 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 Payroll for Professional Staff in order to ensure that these are well understood and controlled by the Chief Human Resources Operations and Administrative Services and staff. Selected samples from the following areas were reviewed:

- a. Management and Administration
- b. Payroll Processing
- c. Security

The audit covered the operations of the Payroll unit handling professional staff from May to December 2018.

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 the management of the units involved 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 the management of the units involved to determine whether the areas the internal audit covered and the extent of verification or other checking included are adequate for their respective 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 audit of the Payroll unit handling professional staff 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."

The rating was based on weaknesses noted in the following areas:

1. Limited resources
2. Payroll controls
3. Payroll reports
4. Payroll process flows

5. Segregation of duties
6. Payroll payment
7. Payroll system changes

Key recommendations: Total = 12; Very High Priority = 2; High Priority = 5; Medium Priority = 5

Recommendations made during the internal audit fieldwork and in the report aim to equip the departmental managers and staff to review, evaluate and improve their own internal controls and risk management systems over the Payroll process for Professional Staff.

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 two (2) very high recommendations consisting of one (1) each in Management and Administration and Payroll processing, as follows:

- Recommend increasing the number of personnel to process payroll and ensure quality checks are performed.
- Request assistance from Headquarters to assist in running the Payroll for the Professional staff.

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.

There are five (5) high priority recommendations, consisting of three (3) recommendations in Management and Administration and two (2) recommendations in Payroll Processing. These are as follows:

- The payroll reports should be made available to the country offices based on Personnel area so that they will see their respective professional staff and local staff.
- Streamline payroll process flows and update the standard operating procedures.
- Review the tasks assigned to the staff and assign the roles that correspond to those tasks.
- There should be a proper documentation and approval to support payment of payroll.
- Improve post system implementation by allowing a longer period to test the accuracy of the new system prior to going live.

There remain 5 Medium priority recommendations consisting of: 2 recommendations each in Management and Administration and Payroll Processing; and 1 recommendation in Security, which need to be addressed by the units involved within one year to ensure that such weaknesses in controls will not moderately affect the unit's ability to achieve its entity or process objectives.

There were no Low priority recommendations noted.

Management comments and action plans

All 12 recommendations were accepted. Management of the units involved 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 IOM Payroll for Professional Staff

The audit of Payroll for Professional Staff was done in the Global Manila Administrative Centre, Philippines, from May to December 2018.

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 and risk management 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 Payroll for Professional Staff, in order to ensure that these are well understood and controlled by the Chief Human Resources Operations and Administrative Services and staff involved in the processes. Recommendations made during the internal audit fieldwork and in the report aim to equip the departmental managers 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 Payroll for Professional Staff audit 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. Limited resources

The existing resources to process payroll and perform quality checks for nearly 2,000 individuals is not sufficient.

Very High Priority Recommendation:

- Recommend increasing the number of personnel to process payroll and ensure quality checks are performed.

2. Payroll controls

Given the limited resources tasked to process payroll regularly, there were several instances of insufficient payroll controls noted to ensure that payroll has been approved and authorized. There was also a lack of consolidated reporting on personnel actions.

Very High Priority Recommendation:

- Request assistance from Headquarters to assist in running the Payroll for the Professional staff.

II. High Priority Recommendations

1. Payroll reports

Only in-mission salary payment of Professional staff report is available to the country offices. Due to limited access to information, the country offices are unable to verify the accuracy of its respective payroll postings.

High Priority Recommendation:

- The Payroll reports should be made available to the country offices based on Personnel Area so that they will see their respective Professional Staff and local staff.

2. Payroll process flows

Established payroll process flows were not fully adhered to. Payroll standard operating procedures being followed are outdated and recently hired staff are not aware of the latest updates.

High Priority Recommendations:

- Streamline payroll process flows and update the standard operating procedures.

3. Segregation of duties

There were instances noted wherein several staff members have exactly the same payroll roles in the system. Hence, there was not enough check and balance and segregation of duties in place.

High Priority Recommendation:

- Review the tasks assigned to the staff and assign the roles that correspond to those tasks.

4. Payroll payment

There is no formal approval for the payment of payroll. Only an email is sent to authorize the payment.

High Priority Recommendation:

- There should be proper documentation and approval to support payment of payroll.

5. Payroll system changes

After the latest payroll system changes, there were a high number of system errors encountered by the payroll unit.

High Priority Recommendation:

- Improve post system implementation by allowing a longer period to test the accuracy of the new system prior to going live.

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.