



International Organization for Migration (IOM)
The UN Migration Agency

OFFICE OF THE INSPECTOR GENERAL

Management Response and Actions IOM Regional Accounting Support Audit File No. PA201803

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Regional Accounting Support from September 2018 to April 2019. The audit assessed the risk exposure and risk management of the Regional Accounting Support's activities, in order to ensure these are well understood and controlled by the Chief Accounting and respective Chief/Head of Regional Accounting Support functions within the Administrative Centres in Manila and Panama and staff involved in the processes. The audit covered the activities of the Regional Accounting Support from January 2017 to December 2018. The results of the audit are public and can be accessed through IOM's global website¹.

OIG Internal Audit assessed the Regional Accounting Support as **partially effective**, and raised 17 audit findings and recommendations, out of which 8 are very high and high priority. As of January 2021, all recommendations have been assessed as implemented and closed, based on evidence provided by the Accounting and Financial Reporting Division of the Department of Resources Management.

The below report provides an explanation of the actions taken since the 2018 audit and the current state of the Regional Accounting Support in Manila and Panama.

Management Response and Actions to the Internal Audit Report of PA201803 – IOM Regional Accounting Support

Management and Administration

Finding No. 1: First and second lines of defense in financial management need to be strengthened

Finding Closed

Numerous actions were implemented to address the recommendation.

- The Financial Management Rules and Procedures' online certification trainings were released, and further ones are under development.
- In coordination with the Accounting and Financial Reporting Division, Regional Office Vienna developed a comprehensive face-to-face group training on the Financial Management Rules and Procedures. The Training of Trainers was completed early 2020 and rollout started also early 2020 but was interrupted by the pandemic. In response, Regional Office Vienna adapted the syllabus and tools to group webinar version as well and started to implement it successfully across the regions early 2021. The Regional Office Cairo started the development of a practical Resource Management Officer training covering all areas of resources management, once ready it will be a useful toolkit for other Regional Offices as well.



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- A standard reporting template has been designed and being submitted twice a year by the Sr. Regional Resource Management Officers to the Director of Department of Resource Management, providing key highlights.
- Regular meetings are held between Department of Resource Management Division heads and Sr. Regional Resource Management Officers to enhance coordination between Department of Resource Management and the Sr. Regional Resource Management Officers. Additional meetings targeting specific topics are also organized by the Department of Resource Management Divisions as necessary.
- The reporting lines between the Sr. Regional Resource Management Officers and Department of Resource Management were clarified (second supervisor is the Director of Department of Resource Management) and between the Resource Management Officers as well as setting the Sr. Regional Resource Management Officers as second supervisor in PRISM. Due to system complications, a remapping on the Staff Evaluation System according to these rules was necessary and has been affected for all related positions with regards to the 2021 evaluation cycle.

Finding No. 2: Strategic operating plan still in draft form

Finding Closed

The Accounting and Financial Reporting Division's Strategic Workplan for 2020-2021, fully aligned with the Internal Governance Framework workplan of IOM, has been issued and shared with internal auditors.

Finding No. 3: Inconsistent structure in the Administrative Centres

Finding Closed

Strengthening of the management level of the central accounting control and support functions of Manila Financial Service and Panama Financial Services have been requested in the annual budget request submissions of Accounting and Financial Reporting Division in 2019 and 2020. However, due to the limited core resources of IOM, the request could not be met.

At the same time, since the audit took place in 2018-2019, three additional General Staff positions were added to Manila Financial Services – Regional Accounting Support. Due to the synergies and interdependencies between the work of Regional Accounting Support, Central Accounting Support, PRISM Central Support Team, the comprehensive review of structures will take place once all respective processes of these units are integrated to the Financial Coordination Platform (FinCoorP) and optimized, foreseen new timeline is by December 2021. Segregation of duties that was also reinforced via assigning the financial reviews and reports endorsements of Manila, Headquarters and L3 emergency projects to the Panama Financial Services, while maintaining the similar reviews of IOM operations in Panama to the Manila Financial Services.



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Degree of integrity and completeness of IOM accounts

Finding No. 10: Ineffective quarterly summary of critical issues for Regional Offices and Accounting Division

Finding Closed

Following a thorough review by an external consultancy firm, several enhancements were implemented to address the recommendation. The central financial review checklists have been revised, accounting risk thresholds have been established, a new mission accounting risk classification methodology has been developed which now also incorporates the views of the Regional Offices. The FinCoorP and Continuous Compliance Monitoring (CCM) initiatives, led by the Accounting and Financial reporting Division in full alignment with of the Internal Governance Framework reform of IOM, are bringing new and more effective ways of performing the central accounting reviews and summarizing noted items.

The financial accounts control optimizations related report and recommendations by the external consultancy company highlighted great but complex opportunities for automation and adaptation of controls. The Accounting and Financial Reporting Division, supported by the Manila and Panama Financial Services successfully implemented several immediate improvements within the current systems and ongoing quick-fix initiatives, such as the FinCoorP and CCM initiatives.

At the same time, part of the opportunities for improvements can only be achieved via major system and master data structure improvement. The related recommendations will feed into the ongoing Business Transformation process and will form part of IOM's requirements from a new Enterprise Resource Planning system. This includes but not limited to: (i) integrated automated process flows for the Procure-to-Pay and human resources processes; (ii) financial closure cockpit; and (iii) continues accounting principle related solutions.

Compliance with IOM financial rules and IPSAS requirements

Finding No. 14: Improvement required for project balance review process

Finding Closed

The project balance reviews are being further enhanced with the utilization of the FinCoorP and CCM initiatives solutions. Piloting started in 2020.

Finding No. 15: Leasehold improvements are not properly capitalized

Finding Closed

Capitalization of leasehold improvements were reviewed and confirmed within the Annual Financial Report 2019, including related necessary IPSAS restatements. Special highlights on leasehold improvement administration were included to the soft-closure and year-end closure instructions (IN/241 and IN/243). Periodic exercises to review leasehold improvements was established also as part of the closure exercises, and a targeted exercise has taken place in August 2020.



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Finding No. 16: Periodic checklist review process needs improvement

Finding Closed

As confirmed within the management responses to Finding Nos. 6, 10, and 14, several enhancements have been introduced in 2020, which were prerequisite to introduce the new periodic checklist review from January 2021.

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The financial accounts control optimizations related report and recommendations by the external consultancy company highlighted great but complex opportunities for automation and adaptation of controls. The Accounting and Financial Reporting Division, supported by the Manila and Panama Financial Services successfully implemented several immediate improvements within the current systems and ongoing quick-fix initiatives, such as the FinCoorP and CCM.

Regional Accounting Support Functions, accountability, and compliance as per Terms of Reference

Finding No. 17: Regional Accountant outdated terms of reference and other key issues

Finding Closed

Revision of terms of reference is scheduled for 2021, will need to reflect the potential review of structures and the new way of organizing work with the use of FinCoorP and the CCM solutions. Planning of such exercise started, the terms of reference are foreseen to be simplified, aligned, and reflecting on the latest developments.

OIG/Internal Audit Comment:

OIG Internal Audit positively notes the implementation of all audit recommendations.