



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Belgrade
RS201801
28 May to 1 June 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Belgrade
Executive Summary
Audit File No. RS201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Belgrade, Republic of Serbia (the “Country Office”) from 28 May to 1 June 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 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 September 2016 to March 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 - USD 8,208,063 representing 0.51 per cent and 5.03 per cent of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.
- As of March 2018 - USD 1,964,957 representing 0.49 per cent and 5.59 per cent of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia 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 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 Office as **substantially effective** which means “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.”

This rating was mainly due to weaknesses noted in the administration of payments to Implementing partners.

There was satisfactory performance noted in Management and Administration, Procurement and Logistics, and Programme and Operations.

Key recommendations: Total = 11; High Priority = 1; Medium Priority = 7; Low Priority = 3

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 is one (1) High Priority recommendation on Finance and Accounting which are directed towards the enhancement of the reliability and integrity of the Country Office’s financial and operational information.

- Ensure sufficient review is performed by Project Managers on payments made to Implementing partners.

Medium priority recommendations consisting of: 2 recommendations each in Personnel, Finance and Accounting, and Contracting, and 1 recommendation in Information Technology, 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.

Low priority recommendations (not included in this Executive Summary) have been discussed directly with management and actions have been initiated to address them.

Management comments and action plans

All 11 recommendations were accepted. Management is in the process of implementing them.

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 Belgrade, Republic of Serbia. As of March 2018, the Country Office has 127 personnel categorized into: 47 staff and 80 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 – USD 8,208,063 representing 0.51 per cent and 5.03 per cent of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.
- As of March 2018 – USD 1,964,957 representing 0.49 per cent and 5.59 per cent of IOM Total and South-Eastern Europe, Eastern Europe and Central Asia Region, respectively.

The Country Office has a total portfolio of 42 projects and total budget of USD 11,321,049. The top 2 projects by type:

- 16 Projects for Technical Cooperation amounting to USD 5,636,911 or 50 per cent of the budget.
- 4 Projects for Return and Reintegration Assistance for Migrants and Governments amounting to 4,282,411 or 38 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 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 Office as **substantially effective** which means “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.”

2. Satisfactory performance was noted in Management and Administration, Procurement and Logistics, and Programme and Operations.

IV. Key Findings and High Priority Recommendation

1. Administration of Payments to Implementing Partners

There was no sufficient evidence of review by Project Managers on progress reports submitted before the next installment is requested and processed for payment.

High Priority Recommendation:

- Ensure sufficient review is performed by Project Managers on payments made to Implementing partners.

Management agreed with the recommendations and 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. |