IOM International Organization for Migration

EXECUTIVE SUMMARY

INTERNAL AUDIT REPORT

IOM Juba

SS201801

16 - 25 October 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Juba
Executive Summary
Audit File No. SS201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Juba, South Sudan (the "Country Office") from 16 to 25 October 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 January 2017 to September 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 - USD 75,367,195 representing 5 per cent and 33 per cent of IOM Total and East and Horn of Africa Region, respectively.
- January to September 2018 - USD 56,685,483 representing 4 per cent and 30 per cent of IOM Total and East and Horn of Africa Region, respectively.

The last internal audit of the Country Office was in January 2016.

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 Country 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. Delegation of authority matrix
2. Human resources management
3. Recording and management of leave
4. Cash administration
5. Vendor evaluation/requalification
6. Rotation policy within procurement
7. Ticketing of local flights
8. Purchase orders
9. Displacement tracking matrix activities

Key recommendations: Total = 33; High Priority = 9; Medium Priority = 20; Low Priority = 4

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.

The High Priority recommendations are presented below:

1. One (1) recommendation for Management and Administration, two (2) recommendations in Personnel, four (4) recommendations in Procurement and Logistics, 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.

   o Update the delegation of authority matrix to incorporate the improvements noted.
   o Review and correct any inconsistencies on local guidelines to ensure clear and adequate internal policies are in place.
   o Ensure filing of leave requests and approval are done in the system on a timely basis.
   o Conduct vendor evaluation and requalification exercise annually.
   o Formalize the rotation policy for procurement staff and implement the rotation annually.
   o Seek guidance on existing agreements regarding air transport services to IOM and ensure alignment with IOM movement procedures.
   o Resolve all open purchase orders and ensure that all purchase orders are prepared using the system.
   o Draft standard operating processes, procedures and controls for displacement tracking matrix activities.

2. One (1) recommendation on Finance and Accounting is directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.

   o Ensure proper and adequate controls over cash accounts in compliance with IOM guidelines.

There remain 20 Medium priority recommendations consisting of: 5 recommendations in Management and Administration, 3 recommendations in Personnel, 4 recommendations in Finance and Accounting, 3 recommendations in Procurement and Logistics, 2 recommendations in Information Technology, and 3 recommendations in Programme and Operations, 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 33 recommendations were accepted. Management 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 the Country Office

The main office is located in Juba, South Sudan. As of September 2018, the Country Office has 661 personnel categorized into: 117 officials, 541 employees, and 3 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 - USD 75,367,195 representing 5 per cent and 33 per cent of IOM Total and East and Horn of Africa Region, respectively.
- January to September 2018 - USD 56,685,483 representing 4 per cent and 30 per cent of IOM Total and East and Horn of Africa Region, respectively.

The Country Office has a total portfolio of 76 projects and a total budget of USD 153,681,387. The top 2 projects by type:

- 46 Projects for Disaster Preparedness amounting to USD 135,578,777 million or 88 per cent of the budget.
- 4 Projects on Community Stabilization amounting to USD 4,707,996 million or 3 per cent of the budget.

The last audit was in January 2016 wherein the overall rating was "Partially Effective".

Implementation status of previous OIG audit recommendations: Audit Report No. SS201601 - IOM Juba; Total recommendations: 26; Implemented: All 26 recommendations had been implemented.

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 Country 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."

IV. Key Findings and High Priority Recommendations

1. Delegation of authority matrix
   The Country Office has a procurement and payment approval matrix in place for its main and sub-offices. However, there were discrepancies noted such as, among others, incomplete review and approval, not clearly defined signatories, and incomplete information.

   High Priority Recommendation:
   - o Update the delegation of authority matrix to incorporate the improvements noted.

2. Human resources management
   Locally implemented guidelines were not properly approved by human resources management and contained inconsistencies resulting to confusion and inconsistent application of the policy.

   High Priority Recommendation:
   - o Review and correct any inconsistencies on local guidelines to ensure clear and adequate internal policies are in place.

3. Recording and management of leave
   There were instances noted wherein there was actual leave taken by international staff as per the international staff attendance tracking sheet maintained in Excel, but they were not recorded in the system.

   High Priority Recommendation:
   - o Ensure filing of leave requests and approval are done in the system on a timely basis.

4. Cash Administration
   There were several internal control weaknesses noted in cash and imprest accounts handling and administration at the main office and sub-offices.

   High Priority Recommendation:
   - o Ensure proper and adequate controls over cash accounts in compliance with IOM guidelines.

5. Vendor evaluation/requalification
   Last vendor evaluation/requalification was conducted in 2016.

   High Priority Recommendation:
   - o Conduct vendor evaluation and requalification exercise annually.

6. Rotation policy within procurement
   Rotation policy within procurement team has not been consistently implemented. Further, the policy and mechanics of its implementation was not formalized and documented in writing.

   High Priority Recommendation:
   - o Formalize the rotation policy for procurement staff and implement the rotation annually.

7. Ticketing of local flights
   Significant number of air tickets issued for local flights are not processed and created using the standard Ticket Order Records system.

   High Priority Recommendation:
   - o Seek guidance on existing agreements regarding air transport services to IOM and ensure alignment with IOM movement procedures.

8. Purchase orders
   There were open purchase orders as old as 2017 in the system. In some instances, the related costs have already been included and reported to the donor or purchase orders prepared outside of the system.

   High Priority Recommendation:
   - o Resolve all open purchase orders and ensure that all purchase orders are prepared using the system.

9. Displacement tracking matrix activities
   There were no standard operating procedures available for displacement tracking matrix process covering data gathering, validation, as well as the biometric data compilation.

   High Priority Recommendation:
   - o Draft standard operating processes, procedures and controls for displacement tracking matrix activities.

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.