



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Budgeting and Financial Planning
3P202101
21 May - 10 September 2021

Office of the Inspector General

Report on the Audit of IOM Budgeting and Financial Planning
Executive Summary
3P202101

The Internal Audit function of the Office of the Inspector General's conducted an audit of IOM Budgeting and Financial Planning.

The remote audit covered the period from 01 January 2019 to 31 December 2020. The main objective of the remote audit was to assess the adequacy, efficiency, and effectiveness of the current core structure and budgeting and financial planning processes to support IOM's mandate and strategic objectives.

Recommendations made during the remote internal audit fieldwork and in this report aim to equip the relevant department and staff to review, evaluate and improve their own processes, internal control, and risk management systems. The following areas of IOM's budgeting and financial planning process were reviewed:

1. Governance framework
2. Budget preparation and approval
3. Budget implementation and monitoring
4. Annual reporting

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 remote 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 remote 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 Budgeting and Financial Planning as **Partially Effective, some improvements needed**, 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.

Key recommendations: Total = 15; High Priority = 1; Medium Priority= 13: Low Priority = 1

Recommendations made during the remote internal audit fieldwork and in the report aim to address identified areas for improvement in accordance with IOM strategic objectives.

High Priority Recommendation

1. Limitation of the budgeting and financial planning model
 - Continue to reach out to the Member States through the Working Group on Budget Reform to discuss and review IOM's funding model to attain a sustainable and predictable funding mechanism that will help the Organization accomplish its mandate and strategic objectives.

Management comments and action plans

Management of the units involved is in the process of implementation of all recommendations raised. 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.

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
Effective	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.
Partially Effective, Some improvements needed	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.
Partially Effective, Major improvements needed	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. (Indicatively, up to 5 very high-risk issues, up to 15 high risk issues, and several medium issues).
Ineffective	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. (Indicatively, more than 5 very high-risk issues, more than 15 high risk issues, several medium issues).

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.