EXECUTIVE SUMMARY

INTERNAL AUDIT REPORT

Management of Risk at IOM

CH202107

March to May 2021

Issued by the Office of the Inspector General

Report on the Audit of Risk Management at IOM
Executive Summary
Audit File No. CH202107

The Internal Audit function of the Office of the Inspector General's conducted an audit of Risk Management at IOM.

The audit covered the period from January 2018 to March 2021 and considered events subsequent to this period as required. In compliance with Internal Audit standards, attention was paid to the assessment of risk exposure and the risk management of IOM, in order to ensure that these are well understood and controlled by the responsible managers. Recommendations made during the internal audit fieldwork and mentioned in this report, aim to equip the responsible managers and staff to review, evaluate and improve their own internal control and risk management systems.

The internal audit aimed to assess the management of Risk in IOM, in order to ensure that these are well understood and controlled by the responsible managers and the concerned country offices and staff implementing risk management processes. Selected samples from the following areas of IOM's framework for risk management were reviewed:

  a. Governance and Organizational Structure
  b. Enterprise Risk Management (ERM) Framework and Policy/Systems and Tools
  c. Process and Integration
  d. Implementation / Risk Capabilities
  e. Monitoring and Reporting Operational Management

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 management of Risk in IOM as **Partially Effective, major improvements needed,** indicating that significant and/or material issues were 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.

The rating was based on weaknesses noted in the following areas:
1. Governance and Organizational Structure
2. Enterprise Risk Management (ERM) Framework and Policy/Systems and Tools
3. Process and Integration
4. Monitoring and Reporting Operational Management

Key recommendations: Total = 12; High Priority = 6; Medium Priority= 6

Recommendations made during the internal audit fieldwork and in the report aim to equip the departmental senior management to review, evaluate and improve their own internal control and risk management systems over deployment protocols for the management of risk at IOM.

High Priority Recommendations

For the high priority recommendations, prompt action is required to ensure that IOM will not be adversely affected in its ability to achieve its strategic and operational objectives.

There are 6 high priority recommendations, consisting of: 2 recommendations in Governance and Organizational Structure; 2 in Enterprise Risk Management (ERM) Framework and Policy / Systems and Tools; 1 in Process and Integration; and, 1 in Monitoring and Reporting.

There remain 6 Medium priority recommendations consisting of: 2 recommendations in Governance and Organizational Structure; 1 in Enterprise Risk Management (ERM) Framework and Policy/Systems and Tools; 1 in Process and Integration; 1 in in Implementation / Risk Capabilities; and, 1 with regards to Monitoring and Reporting.

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.

International Organization for Migration
Office of the Inspector General

I.   About the internal audit of the Management of Risk at IOM

The main objective of this audit was to assess the adequacy of the design and effectiveness of IOM's Risk Management processes in ensuring efficient roll out of Risk Management at an organizational strategic level, project/programme implementation, and IOM office operations.

The audit covered the period from January 2018 to March 2021.

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 the risk exposure and the risk management of the Global Emergency Response Level 3, in order to ensure that these are well understood and controlled by the responsible managers and the concerned country offices and staff implementing Level 3 operations.

2.   Scope and Methodology

In compliance with Internal Audit standards, attention was paid to the assessment of risk exposure and the risk management of IOM, in order to ensure that these are well understood and controlled by the responsible managers. Recommendations made during the internal audit fieldwork and mentioned in this report, aim to equip the responsible 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 Office as **Partially Effective, some improvements needed,** indicating that few significant issues, or some moderate ones were 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.

IV.   High Priority Recommendations

1.   IA s recommends that IOM's Risk Management should conduct regular self-assessments (i.e., at least annually) to monitor its progress as compared with UN system-wide best practices. Results should be communicated and shared with IOM's Senior Management with an indication on areas subject to improvement, including budget and costs associated.

2. A mandate should be developed regarding Risk Management in conjunction with the review of the IN/213 currently in progress, as an integral part of the ERM Framework and Policy, outlining the roles, responsibilities, and accountability over the ERM within IOM including its scope of action.

3. IA recommends Risk Management to carefully assess the legacy of findings and recommendations and take stock of lessons learned looking forward to the elaboration of a revised policy and guidance.

   Solid standards whereby performance may be measured and assessed should be established.

4. IA recommends Risk Management to carefully assess the legacy of audit findings and recommendations formulated over time in its individual engagements and take stock of lessons learned looking forward to the elaboration of a revised policy and guidance.
   In relation to the draft document forming the basis of the new framework and policy, IA recommends that this is further enhanced with indication on risk ratings, how they are derived in terms of impact and likelihood, including a component on the control effectiveness.

5. For a successful ERM framework and roll-out, systems and tools should be in place to assist in the process, aligned with IOM's context with the increasing need to capture risk information from where the risks emerge – primarily from field activities.

6. IOM Management is encouraged to move forward in establishing both an Internal Control and an Accountability Framework, specifically targeted to and linked with ERM responsibilities and organizational performance.

V.   Medium Priority Recommendation:

7. Consideration should be given to (re)establishing mechanisms such as a Risk Management Steering Committee or including Risk Management as a standing agenda item in various senior management meetings, with appropriate follow up of action decided. IA recommends involvement of key risk owners from a Regional and Field perspective as well. In the same line, a documented framework for the functioning of Risk Focal Points will need to be reviewed and (re)established.

8. Review of the resources allocated to the ERM function is encouraged, with the intention of providing adequate staff resources, and the budgetary capacity to perform its mandate.

9. IA commends Risk Management for the elaboration of the draft Risk Appetite Statement, and some of the recommendations are already outlined in the observations made above; this document should be widely coordinated with risk owners and Regional or Field staff.

10. IA recommends Risk Management to consider the vital risk information that is being captured at project level, to be channeled to the individual Risk Management frameworks.

11. IA recommends a training policy with material to be rolled out to the regions and COs. IA also recommends IOM to consider including risk management attitude and competencies in the annual evaluation process for risk owners at the managerial level in particular.

12. IA recommends Risk Management to continue in its commitment of providing regular consistent updates on Risk Management to the Governing Bodies, at least annually through the SCPF.

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
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. (Indicatively, no very high and high-risk issues)
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. (Indicatively, no very high-risk issues)
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.