



**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Audit of Third-Party Contractors**

**3P202104**

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International Organization for Migration

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**Report on the Audit of Third-Party Contractors**  
**Executive Summary**  
**Audit File No. 3P202104**

The Internal Audit function of the Office of the Inspector General conducted a *remote* audit of Third-Party Contractors (TPCs) in IOM.

The audit covered the period from 1 January 2019 to 28 February 2021 and considered events subsequent to this period as required. The audit team conducted the fieldwork remotely from April to June 2021. This included work interactions with different departments in Headquarters (HQ), regional offices (ROs) and country offices (COs) using TPCs. More specifically, samples wherein the efficiency and effectiveness TPC management was assessed for following offices: Afghanistan, Somalia, Iraq and Bangladesh.

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

- a. Governance
- b. Risk Management
- c. Operational Management

The main objective of this audit was to assess the adequacy of the design and effectiveness of IOM's governance, risk management and control processes in ensuring the efficient use of TPC services in the project/programme implementation or IOM office operations.

The overall audit scope encompassed the following areas:

- Review of the organizational ownership of the TPC modality;
- Review of the relevance and adequacy of the organizational key roles and responsibilities related to managing TPC services and ascertain its adequacy and effectiveness;
- Review and assess the adequacy and effectiveness of the organization's strategy, policies, procedures, systems, and tools around TPC services;
- Review the risk management control mechanisms associated with TPC services and assess how the organization effectively manages the third-party related risks in order to achieve desired business outcomes; and
- Assess the efficiency and effectiveness of managing TPC services in sampled offices; as well as compliance with the existing TPC framework.

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 Third-Party Contractors 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 audit raised 16 recommendations during the internal audit fieldwork out of which 5 were of very high and 9 of high priority. These recommendations 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 Audit of Third-Party Contractors.

### **Very High Priority Recommendations**

Prompt action is required to ensure that processes will not be critically disrupted, and IOM will not be **critically** adversely affected in its ability to achieve its strategic and operational objectives.

1. Review of the current framework to further develop and improve the assignment of roles and responsibilities across functional teams and further drive accountability.
2. Coordinate the development of formal policies and mandatory procedures to provide guidance, consistency, accountability, efficiency, and clarity on processes involving TPCs and management of TPC employees that is aligned with IOM's risk appetite, thereby achieving business objectives.
3. Continue strengthening the TPC risk management framework. Continually integrate Third-party risk management into the management of TPC activities at all levels of the Organization.
4. Capacity assessment of TPCs prior to their selection is to be institutionalized and made mandatory.
5. A global LTA is necessary to establish standard contract terms and conditions to be applied across IOM operations and provide a long-term relationship with TPCs. IOM should assess the need to expand the existing TPCs under the global LTA to ensure that IOM operations in different locations are sufficiently covered.

### **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.

6. All TPC Advisory Group members should coordinate the establishment of a workflow for TPCs that will ensure the appropriate level of consultations and adherence to global standards and clauses. The roles and responsibilities among TPC Advisory Group members should be clearly delineated; conditions for mandatory DOE and RO coordination need to be set. Administrative timelines should be formally established.
7. Development of a strategy clearly defining the classification of services and working conditions that could be contracted through TPC modality, to ensure that engagement of TPCs is justified and optimized.
8. A mandatory mechanism for tracking TPC related transactions should be institutionalized. It would include a comprehensive inventory of TPCs and the full integration of TPCs and TPC employees within the existing corporate systems.
9. Standard IOM instructions and trainings applicable to TPC employees need to be determined and appropriately incorporated across IOM instructions and monitored for compliance taking into consideration IOM's capacity.
10. An institutionalization of a mandatory mechanism to track TPC related transactions is recommended.
11. Use of the global LTA on TPCs should be reinforced to ensure the best value for money is achieved and to minimize the risks associated when dealing with locally sourced TPCs.
12. Contract management should be integrated in all TPC contracts as this would assist in assessing TPC performance based on contract conditions, evaluating supplier risks, facilitating contract amendments, negotiating the amount of service fees and even act as a tool for building collaborative relationships with TPC.
13. All relevant contractual requirements in engaging a TPC are to be incorporated in TPC policies and procedures in consistence with the related IOM instructions. A review of the grievance procedures in place is recommended.
14. Establishment of a mechanism to review service fees against the services provided by TPCs is recommended.

#### **Management comments and action plans**

Management agreed with the recommendations and is in the process of implementation.

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
<b>Effective</b>	<p>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.</p> <p>(Indicatively, no very high and high-risk issues)</p>
<b>Partially Effective, Some improvements needed</b>	<p>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.</p> <p>(Indicatively, no very high-risk issues)</p>
<b>Partially Effective, Major improvements needed</b>	<p>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.</p> <p>(Indicatively, up to 5 very high-risk issues, up to 15 high risk issues, and several medium issues).</p>
<b>Ineffective</b>	<p>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.</p> <p>(Indicatively, more than 5 very high-risk issues, more than 15 high risk issues, several medium issues).</p>

## 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
<b>Very High</b>	Issue represents a control weakness which could cause <b>critical</b> disruption of the process or <b>critical</b> 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.
<b>High</b>	Issue represents a control weakness which could have <b>major</b> 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.
<b>Medium</b>	Issue represents a control weakness which could have <b>moderate</b> 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.
<b>Low</b>	Issue represents a minor control weakness, with <b>minimal</b> 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.