



**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM SARAJEVO**  
**BA202101**  
**16 - 25 June 2021**

**Issued by the Office of the Inspector General**

**Report on the Audit of IOM Sarajevo**  
**Executive Summary**  
**BA202101**

The IOM Office of the Inspector General (OIG) conducted an internal audit of Country Office IOM Sarajevo, Bosnia and Herzegovina (the “Country Office”) from 16 to 25 June 2021. Internal Audit aimed to assess 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.

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. Human Resources
- c. Finance and Accounting
- d. Procurement and Contracting
- e. Information Technology
- f. Programme and Operations

The audit covered the activities of the Country Office from May 2019 to April 2021. The Country Office recorded the following expenses based on IOM financial records:

- USD 75,688,667 – for the audited period

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 **Partially Effective, major improvements needed** which means, 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.

**Key recommendations: Total = 25; Very High Priority = 1; High Priority = 10; Medium Priority = 14**

### **Very High Priority Recommendation**

1. Controls over financial transactions
  - Enhance internal controls over processing of payments and recording of accounting transactions to ensure the validity of payments to vendors and costs charged to projects.

## High Priority Recommendations

2. Organizational Structure and Resource Allocations
  - Identify funding and initiate a process for the recruitment of an internationally hired employee and address the gaps noted in the country office's support services.
3. Petty Cash
  - Strictly comply with internal procedures, including the duty to report any breach of IOM's rules and regulations.
4. Administration of staff contracts
  - Continue assessing staff contractual conditions and to review staff responsibilities along with the project requirements; consider providing better contracts following IOM's Policy on Contracts.
5. Payroll process
  - Communicate with Treasury to see if there is any possibility to integrate system with e-banking platform.
6. Human Resources Administration
  - Ensure compliance with IOM instructions, rules and procedures for all human resources processes and that adequate controls and review procedures are in place.
7. Administration of non-staff
  - Data for non-staff personnel should be reconciled across systems; ensure compliance with IOM rules on the engagement and management of consultants.
8. Controls over bank management
  - The design and the composition of the signatory panel should be revised to reflect IOM's bank signing policy.
9. Project ID activation
  - Coordinate in advance the donor agreements for endorsements prior to the start date of the contract, considering required internal reviews and endorsements, as well as donor contracting cycle and requirements.
10. One-time vendor account
  - The use of one-time vendor account is restricted to a one-off payment only hence, a vendor account should be created for any ongoing vendor-IOM relationship.
11. Tracking and recording of in-kind donations
  - Establish a system where all in-kind donations, regardless of where these were received, are reported to a central focal point, stating the nature and quantity of the donations received.

**Management comments and action plans**

Management is in the process of implementation and five recommendations have been assessed as closed based on the management action plan and corrective action provided. Comments and any additional information provided have been incorporated into the report, where appropriate.

**Limitations on the Scope of the Audit**

Because of the concept of selective testing of data and inherent limitation of internal auditing, there is no guarantee that all matters of significance to IOM will be discovered by Internal Audit. It is the responsibility of Country Office local management 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. This report is intended solely for information and should not be used for any other purpose.

## ANNEXES

### Definitions

IG opinion on 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>	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.
<b>Partially Effective, Some improvements needed</b>	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.
<b>Partially Effective, Major improvements needed</b>	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.
<b>Ineffective</b>	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.

### 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.