



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM BEIRUT
LB202101
31 January – 11 February 2022

Issued by the Office of the Inspector General

Report on the Audit of IOM Beirut
Executive Summary
LB202101

The IOM Office of the Inspector General (OIG) conducted a *remote* internal audit of Country Office IOM Beirut, Lebanon (the “Country Office”) from 31 January to 11 February 2022. 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. Due to the limitation of a *remote* internal audit, the review was based on scanned copies of documents provided by the Country Office. 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 December 2019 to November 2021. The Country Office recorded the following expenses based on IOM financial records:

- December 2019 – USD 2,139,101
- January to December 2020 – USD 18,990,546
- January 2021 to November 2021 – USD 15,845,015

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 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 = 39; Very High Priority = 3; High Priority = 13; Medium Priority = 22; Low Priority = 1

Very High Priority Recommendations

1. Currency devaluation and inflation
 - Full compliance with established financial management procedures on currency conversion and the use of IOM exchange rates.
2. Awarding of contract to an ineligible vendor
 - Seek assistance from Legal department on the terms of contract with the medical services provider which has yet to receive accreditation from the Ministry of Public Health.
3. Transparency in the procurement process
 - Review and improve procurement processes and control mechanisms, in line with IOM procedures.

High Priority Recommendations

4. Ineffective drafting and review of terms of reference and technical specifications
 - Procurement unit should implement a more stringent quality assurance review of terms of reference and technical specifications that would be responsive to country office needs.
5. Best value for money in purchasing decisions
 - Review and improve procurement processes and control mechanisms, in line with IOM procedures.
6. Improper segregation of duties
 - Revisit delegation of authority matrix and re-assign conflicting tasks assigned to one individual to ensure proper checks and balances are in place.
7. Risk management process needs improvement
 - Revise the risk register in coordination with the regional office and share this register with the Chief Risk Officer.
8. Outdated Business Continuity Plan
 - Prepare a business continuity plan for the country office following IOM business continuity planning guidelines.
9. Control over cash management
 - Fully implement IOM internal control policies and procedures over cash handling and financial management reporting.
10. Bank details in the e-banking platform
 - Ensure e-banking role assignments are consistent with the delegation of authority matrix; review completeness and accuracy of vendor bank account details both in PRISM and the e-banking platform.

11. Engagement of volunteers and other project's participants
 - The country office should enhance the processes associated with the administration of volunteer transactions and ensure consistency of implementation across projects.
12. Price increases not supported by a valid agreement
 - Ensure that services obtained are duly supported by a valid agreement and amendments to terms are properly approved and documented.
13. Vendor screening or verification
 - Strictly comply with vendor screening and verification processes.
14. Management of assets
 - Improve the existing asset management practices and ensure compliance and alignment with IOM Assets Management Framework.
15. Project implementation
 - Strengthen project monitoring capacity and ensure that projects developed by the country office are of quality and can be realistically achieved within the proposed budget and timeframe.
16. Country office legal status (Repeat Finding)
 - In coordination with the regional office and Legal department and with the support of the Resident Coordinator, the country office should exert effort to engage the Government to formally recognize IOM presence and activities in the country.

Management comments and action plans

Management is in the process of implementation and has been very proactive in addressing a significant number of recommendations. 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 *remote* 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
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.
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.

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.