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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Lilongwe**  
**MW201701**  
**24 - 28 APRIL 2017**

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

**Report on the Audit of IOM Country Office Lilongwe**  
**Executive Summary**  
**Audit File No. MW201701**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Lilongwe, Malawi (the “Country Office”) from 24 to 28 April 2017. The internal audit was aimed to assess adherence to financial and administrative procedures in conformity with IOM’s regulations and rules 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. Personnel
- c. Finance and Accounting
- d. Procurement and Logistics
- e. Contracting
- f. Information Technology
- g. Programme and Operations

The audit covered the activities of the Country Office from 1 April 2015 to 30 April 2017. The Country Office recorded the following expenses based on IOM financial records:

- 2015 – USD 1,862,002 representing 0.015 % and 6.095 % of IOM Total, and of Southern Africa Region, respectively.
- January 2016 to April 2017 - USD 1,191,166 representing 0.056 % and 2.49 % of IOM Total, and of Southern Africa Region, respectively.

This was the first Internal Audit of the Country Office.

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 local management of the Country Office 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.

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 Country Office as **largely ineffective** which means “that significant control gaps exist. Either controls do not treat root causes or they do not operate at all effectively”.

This rating was mainly due to weaknesses noted in the following areas:

1. Organizational structure
2. Knowledge of IOM rules and regulations
3. Personnel files
4. Medical Service Plan
5. Petty cash fund
6. Banking procedures
7. Cost centre and vendor balances
8. Procurement
9. Information technology structure and performance
10. Project financial monitoring
11. Archiving of files
12. Project management and sustainability

**Key recommendations: Total = 24; High Priority = 12; Medium Priority = 12**

### High Priority Recommendations

Prompt action is required within three months to ensure that IOM will not be adversely affected in its ability to achieve its strategic and operational objectives.

The High Priority recommendations are presented below:

- I. Two (2) recommendations for Management and Administration, two (2) recommendations for Personnel, one (1) recommendation for Procurement and Logistics, one (1) recommendation for Information Technology, and three (3) recommendations for Programme and Operations. These recommendations aim to ensure that the assets of IOM are properly safeguarded, its staff welfare is secured and IOM operations are efficient and effective.
  - The Country Office should develop and document a Delegation of Authority matrix to provide clarity on the approval thresholds assigned to different staff.
  - Develop internal instructions to enhance the regulatory framework and achieve a higher degree of compliance with IOM’s Regulations and Rules.
  - Ensure that all personnel files contain all the required documents.
  - Full compliance with IOM regulations on Medical Service Plan.
  - Full compliance with IOM regulations and rules on procurement.
  - Upgrade the IT structure to an acceptable standard required by IOM.
  - Establish sound project financial monitoring system.
  - Put in place an accurate filing system for all activities across the office.
  - Continue its efforts to secure additional funding and correct errors in the sustainability reports.

- II. Three (3) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
- Full compliance with IOM rules and regulations on the use of petty cash fund.
  - Establish a procedure wherein all bank transactions are signed by two signatories.
  - Investigate the reasons for the unidentified and overdue balances in the cost centre and vendor balances.

Except in the area of Information Technology and Programme and Operations, there remains another 12 Medium priority recommendations consisting of: Six (6) recommendations in Management and Administration; Two (2) in Personnel; One (1) in Finance and Accounting; Two (2) in Procurement and Logistics; and One (1) in Contracting, which need to be addressed by the Country Office within one year to ensure that such weaknesses in controls will not moderately affect the Country Office's ability to achieve its entity or process objectives.

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

Except for two (2) high priority and one (1) medium priority recommendations, management accepted 21 recommendations and is in the process of implementation. 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 Office**

The Main Office is located in Lilongwe, Malawi. As of 30 April 2017, the Country Office has 8 personnel categorized into: 1 official and 7 staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2015 – USD 1,862,002 representing 0.015 % and 6.095 % of IOM Total, and of Southern Africa Region, respectively.
- January 2016 to April 2017 - USD 1,191,166 representing 0.056 % and 2.49 % of IOM Total, and of Southern Africa Region, respectively.

From April 2015 to April 2017 the Country Office has a total portfolio of 26 projects and a total budget of USD 3,996,633. The top two projects by type:

- Nine projects for Emergency Response and Assistance to Displaced Populations (DP) amounting to USD 1,596,067 or 40 % of the budget.
- Two projects on Resettlement Assistance amounting to USD 946,031 or 23.67 % of the budget.

## **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 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.

### **2. Scope and Methodology**

In compliance with Internal Audit standards, attention was paid to the assessment of risk exposure and the risk management of the Country Office activities in order to ensure that these are well understood and controlled by the local management and staff. Recommendations made during the internal audit fieldwork and in the report aim to equip the local management 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 Country Office as **largely ineffective** which means “that significant control gaps exist. Either controls do not treat root causes or they do not operate at all effectively”.

## IV. Key Findings and High Priority Recommendations

### High Priority Recommendations

#### 1. Organizational Structure

There was a lack of Delegation of Authority matrix and poor segregation of duties.

High Priority Recommendations:

- The Country Office should develop and document a Delegation of Authority matrix to provide clarity on the approval thresholds assigned to different staff.

*Management agreed with the recommendations and is implementing them.*

#### 2. Knowledge of IOM regulations and rules

None of the staff has ever received a proper IOM induction training. Hence, the knowledge of the IOM's Mandate and Regulations and Rules is very limited.

High Priority Recommendation:

- Develop internal instructions to enhance the regulatory framework and achieve a higher degree of compliance with IOM's Regulations and Rules.

*Management agreed with the recommendations and is implementing them.*

#### 3. Personnel files

Personnel files have been noted to lack key documents.

High Priority Recommendation:

- Ensure that all personnel files contain all the required documents.

*Management agreed with the recommendations and is implementing them.*

#### 4. Medical Service Plan

Some eligible staff of the Country Office are not yet enrolled in the Medical Service Plan.

High Priority Recommendation:

- Full compliance with IOM regulations on Medical Service Plan.

*Management disagreed with the comments. However, all eligible staff have been subsequently cleared and enrolled with the Medical Service Plan as per recommendation.*

#### 5. Petty cash fund

The Country Office regularly pays amounts in excess of the maximum ceiling for individual payments established for petty cash fund.

High Priority Recommendation:

- Full compliance with IOM rules and regulations on the use of petty cash fund.

*Management agreed with the recommendations and is implementing them.*

6. Banking procedures

There is no proper dual signatory panel in place, nor has the official letter for the Change of Bank Signatory been issued.

High Priority Recommendation:

- Establish a procedure wherein all bank transactions are signed by two signatories.

*Management agreed with the recommendations and is implementing them.*

7. Cost centre and vendor balances

There were several outstanding unidentified amounts in the cost centre and overdue balances in vendor accounts.

High Priority Recommendation:

- Investigate the reasons for the unidentified and overdue balances as stated above.

*Management agreed with the recommendations and is implementing them.*

8. Procurement

The Country Office has no purchase authorization matrix in force. In addition, there were several noted deficiencies in the procurement process.

High Priority Recommendation:

- Full compliance with IOM regulations and rules on procurement.

*Management agreed with the recommendations and is implementing them.*

9. Information technology structure and performance

The Country Office does not have a server, only a router and a patch panel. In addition, there is no backup system in place.

High Priority Recommendation:

- Upgrade the IT structure to an acceptable standard required by IOM.

*Management agreed with the recommendations and is implementing them.*

10. Project financial monitoring

There are no documented and systematic budget monitoring/expenditure review done in coordination with the Project Managers and Operations.

High Priority Recommendation:

- Establish a sound project financial monitoring system.

*Management agreed with the recommendations and is implementing them.*

11. Archiving of files

The Country Office does not have a proper archiving and filing system in place.

High Priority Recommendation:

- Put in place an accurate filing system for all activities across the office.

*Management agreed with the recommendations and is implementing them.*

12. Project management and sustainability

The Country Office should properly monitor its project to ensure all activities are completed on time and there will be no need for No Cost Extension. There were also noted inaccuracies in the sustainability reports.

High Priority Recommendation:

- Continue its efforts to secure additional funding; and
- Correct errors in the sustainability reports.

*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:

<b>Descriptor</b>	<b>Guide</b>
<b>Fully effective</b>	Nothing more to be done except review and monitor the existing controls. Controls are well designed for the risk, address the root causes and Management believes that they are effective and reliable at all times.
<b>Substantially effective</b>	Most controls are designed correctly and are in place and effective. Some more work to be done to improve operating effectiveness or Management has doubts about operational effectiveness and reliability.
<b>Partially effective</b>	While the design of controls may be largely correct in that they treat most of the root causes of the risk, they are not currently very effective. Or, some of the controls do not seem correctly designed in that they do not treat root causes, those that are correctly designed are operating effectively.
<b>Largely ineffective</b>	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
<b>None or totally ineffective</b>	Virtually no credible controls. Management has no confidence that any degree of control is being achieved due to poor control design and/or very limited operational effectiveness.

## 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.