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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Country Office Buenos Aires**  
**AR201701**  
**10 - 14 July 2017**

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

**Report on the Audit of IOM Country Office Buenos Aires**  
**Executive Summary**  
**Audit File No. AR201701**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Buenos Aires, Argentina (the “Country Office”) from 10 to 14 July 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. Information Technology
- f. Contracting
- g. Programme and Operations

The audit covered the activities of the Country Office from 1 January 2015 to 31 December 2016. The office recorded the following expenses based on IOM financial records:

- 2015 - USD 21,879,104 representing 1% and 6% of IOM Total and South America Region, respectively.
- 2016 - USD 20,558,541 representing 1% and 13% of IOM Total and South America Region, respectively.

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 ensure 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 Office as **partially effective** which means that “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 *and* those that are correctly designed are operating effectively”.

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

1. Code of Ethics
2. Cash management
3. Segregation of duties
4. Resources management
5. Memorandum of Understanding with the host government
6. Payroll
7. Petty cash fund
8. Payments to vendors
9. Air tickets

**Key recommendations: Total = 20; Very High Priority = 2; High Priority = 8; Medium Priority = 10**

### Very High Priority Recommendations

Prompt action is required within one month 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.

There are two (2) Very High Priority recommendations consisting of one (1) recommendation each for Management and Administration and Finance and Accounting. These are as follows:

- Cases of wrongdoing, misconduct, fraud or suspected fraud should be reported in compliance with IOM regulations and rules.
- The Country Office should establish appropriate measures to minimize cash handling in the office and comply with IOM regulations and rules on cash handling.

### 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. Four (4) recommendations for Management and Administration, one (1) recommendation for Personnel and two (2) for Procurement and Logistics. 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 put in place standard operating procedures to safeguard cash.

- Proper segregation of duties should be established, within the limits imposed by staff numbers in the location.
  - Ensure minimum standards of Human Resources administration and management are implemented.
  - The Country office, in coordination with the legal group, needs to incorporate a clause excluding IOM from any liability in relation to contracting.
  - Full compliance with IOM regulations and rules and control procedures over payroll processing.
  - Full compliance with accrual basis of accounting where expenses are recognized in the month in which the goods or services are received.
  - The Country Office should not purchase the transportation ticket (air, boat, train, etc.) on behalf of the staff for personal travel. IOM negotiated fares are for staff official travel only.
- II. One (1) recommendation on Finance and Accounting is directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
- Full compliance with IOM regulations and rules and control procedures over petty cash fund payments.

There remains another 10 Medium priority recommendations consisting of: One (1) recommendation in Management and Administration; One (1) in Finance and Accounting; One (1) in Contracting; One (1) in Information Technology; One (1) in Programme and Operations; Three (3) in Personnel; and Two (2) in Procurement and Logistics, 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**

Management accepted all 20 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 Buenos Aires, Argentina. As of 31 December 2016, the Office has 33 personnel categorized into: 28 staff and 5 non-staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 2015 - USD 21,879,104 representing 1% and 6% of IOM Total and South America Region, respectively.
- 2016 - USD 20,558,541 representing 1% and 13% of IOM Total and South America Region, respectively.

The Office has a total portfolio of 41 projects and total budget of USD 54.9 million. The top two projects by type:

- 17 Projects on migration and economic/community development amounting to USD 38.7 million or 70% of the budget.
- 5 Projects on migrant processing and integration amounting to USD 8.1 million or 15% 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 Office as **partially effective** which means that “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 and those that are correctly designed are operating effectively”.

### IV. Key Findings and Very High and High Priority Recommendations

#### I. Very High Priority Recommendations

##### 1. Code of Ethics

Several inappropriate transactions committed by a staff member were not properly reported to the Ethics and Conduct Office.

Very High Priority Recommendation:

- Cases of wrongdoing, misconduct, fraud or suspected fraud should be reported in compliance with IOM regulations and rules.

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

##### 2. Cash management

The Country Office received an approval to maintain high cash balances due to the currency restrictions in the host country. However, significant high cash balances were maintained and there was no evidence that the Country Office reduced the cash balances after the restrictions were lifted.

Very High Priority Recommendation:

- The Country Office should establish appropriate measures to minimize cash handling in the office and comply with IOM regulations and rules on cash handling.

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

#### II. High Priority Recommendations

##### 1. Cash management

There were no sufficient safeguards in relation to cash handling considering the significant payments that were made from the petty cash fund and the security risks involved.

High Priority Recommendation:

- The Country Office should put in place standard operating procedures to safeguard cash.

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

2. Segregation of duties

The Country Office decentralized the procurement and accounting functions of its main programmes resulting to conflicted roles and responsibilities.

High Priority Recommendation:

- Proper segregation of duties should be established, within the limits imposed by staff numbers in the location.

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

3. Resources Management

The organizational structure of the Country Office is inappropriate, showing lack of staff and competencies in resources management.

High Priority Recommendation:

- Ensure minimum standards of Human Resources administration and management are implemented.

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

4. Memorandum of Understanding with the host government

The Memorandum of Understanding with the host government is not fully effective. As such, this poses challenges and risk to IOM consultancy contracts.

High Priority Recommendation:

- The Country Office, in coordination with the legal group, needs to incorporate a clause excluding IOM from any liability in relation to contracting.

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

5. Payroll

There were noted non-compliances with IOM standard procedures for payroll processing.

High Priority Recommendation:

- Full compliance with IOM regulations and rules and control procedures over payroll processing.

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

6. Petty Cash fund

There were noted non-compliances with IOM standard procedures for the payments from petty cash fund.

High Priority Recommendation:

- Full compliance with IOM regulations and rules and control procedures over petty cash fund payments.

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

7. Payments to vendors

Down payments made to vendors were directly charged to expense instead of advances to vendor account.

High Priority Recommendation:

- Full compliance with accrual basis of accounting where expenses are recognized in the month in which the goods or services are received.

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

8. Air ticket purchases

The Country Office is purchasing air tickets for both official travel and personal use of staff.

High Priority Recommendation:

- The Country Office should not be purchasing the transportation ticket (air, boat, train, etc.) on behalf of the staff for personal travel. IOM negotiated fares are for staff official travel only.

*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
<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 portray 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.