



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Regional Office Buenos Aires
AR201702
3 - 7 July 2017

Issued by the Office of the Inspector General

Report on the Audit of IOM Regional Office Buenos Aires
Executive Summary
Audit File No. AR201702

The IOM Office of the Inspector General conducted an internal audit of the Regional Office Buenos Aires in Argentina from 3 to 7 July 2017. The internal audit 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 Regional Office's activities as well as the Country Office's joint or mutual activities, in order to ensure these are well understood and controlled by the Regional Director 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 Regional Office and joint or mutual activities with the Country Office from 1 January 2015 to 31 December 2016. The Regional Office recorded the following expenses based on IOM financial records:

- 2015 – USD 2,307,200 representing 0.14% of IOM Total.
- 2016 – USD 2,401,459 representing 0.15% of IOM Total.

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 management of the Regional Office and 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 management to determine whether the areas the internal audit covered and the extent of verification or other checking included are adequate for 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 Regional 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. Reporting of ethical misconduct
2. Donor reporting and submission by Country Offices
3. Recruitment of relatives
4. Implementation of delegation of authority matrix
5. Cash management
6. Resource management oversight over Country Offices
7. Memorandum of agreement with the government
8. Implementation of risk management policies and procedures
9. Payroll processing
10. Rental agreements
11. Contracting and administration of consultants

There was satisfactory performance in Information Technology.

Key recommendations: Total = 24; Very High Priority = 5; High Priority = 7; Medium Priority = 12

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 five (5) Very High Priority recommendations consisting of two (2) recommendations each for Management and Administration and Finance and Accounting, and one (1) recommendation for Personnel. These are as follows:

- Report all cases of ethical misconduct at Country Office and Regional Office to the Ethics and Conduct Office and Legal Department as per IOM policies and procedures.
- Strengthen Regional Office’s oversight procedures over donor reporting and submission by Country Offices. Ensure Country Offices are made accountable for the quality of reports and timely submissions.
- The Regional Director should remind Country Offices as well as the Regional Office’s staff to disclose to Human Resources Unit close relatives or family as required under IOM policies and procedures.
- Develop a more comprehensive delegation of authority matrix following IOM policies.
- Implement proper cash handling measures to reduce the high cash balances in US dollars consistent with IOM policies and procedures.

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 Recommendations are presented below:

1. Three (3) recommendations for Management and Administration, one (1) recommendation for Personnel and two (2) recommendations for Contracting. These recommendations aim to ensure that IOM assets are properly safeguarded, its staff welfare is secured and IOM operations are efficient and effective.
 - Regional Office should strengthen its oversight of Country Offices in implementing proper resource management and reporting.
 - The Regional Office should consistently implement IOM Human Resources policies. Further, they should seek assistance from Legal department, as needed.
 - The Regional Office and Country Office should fully comply with IOM risk management policies and procedures. They need to implement the agreed risk treatment plan to address the issues raised in the risk assessment review of May 2016.
 - Regional and Country Offices should fully comply with IOM policies and procedures for payroll processing.
 - Future rental agreements should be negotiated in local currency.
 - The Regional Office should fully comply with IOM policies and procedures over hiring and administration of consultants.

2. One (1) recommendation on Finance and Accounting is directed towards the enhancement of the reliability and integrity of the Regional Office's financial and operational information.
 - While it is the Project Manager that is responsible for the timely submission of donor reports, the Regional Office should ensure appropriate submission and project closures are done for projects under its direct management.

Except in the areas of Contracting and Information technology, there remains another twelve (12) Medium priority recommendations consisting of three (3) recommendations in Management and Administration, two (2) recommendations in Personnel, five (5) recommendations in Finance and Accounting, one (1) recommendation in Procurement and Logistics, and one (1) recommendation in Programme and Operations which need to be addressed by the Regional Office within one year to ensure that such weaknesses in controls will not moderately affect the Regional Office's ability to achieve its entity or process objectives.

There were no Low priority recommendations noted.

Management comments and action plans

Management accepted all 24 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 Regional Office

The Regional Office is located in Buenos Aires, Argentina. As of 31 December 2016, the Regional Office has 21 personnel categorized into: 8 officials, 11 staff and 2 non-staff. The Regional Office recorded the following expenses based on IOM financial records for the following periods:

- 2015 – USD 2,307,200 representing 0.14% of IOM Total.
- 2016 – USD 2,401,459 representing 0.15% of IOM Total.

The Regional Office has a total portfolio of 11 projects and a total budget of USD 4,207,208. The top 2 projects by type:

- Five Projects on Operational Support Income amounting to USD 1.7 million or 36.5% of the budget
- Two Projects on Administrative Budget amounting to USD 1.6 million or 35.8% 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 Regional Office activities as well as those of the Country Office in the areas of joint or mutual activities in order to ensure that these are well understood and controlled by the Regional Director and staff. Recommendations made during the internal audit fieldwork and in this report aim to equip the Regional Office managers 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”.

Satisfactory performance was noted in Information Technology.

IV. Key Findings and Very High and High Priority Recommendations

I. Very High Priority Recommendations

1. Unreported cases of wrongdoing

There were two incidents of wrongdoing that were not reported to Ethics and Conduct Office as the Regional Office considered that the cases could be handled at their level.

Very High Priority Recommendation:

- Report all cases of ethical misconduct at Country Office and Regional Office to the Ethics and Conduct Office and Legal Department as per IOM policies and procedures.

Management agreed with the recommendations and is implementing them.

2. Insufficient support to Country Offices on Donor Reporting

There was ineffective monitoring by the Regional Office over donor reporting by the Country Offices resulting to inaccurate and delayed submissions.

Very High Priority Recommendation:

- Strengthen Regional Office oversight procedures over donor reporting and submission by the Country Offices. Ensure Country Offices are made accountable for the quality of reports and timely submissions.

Management agreed with the recommendations and is implementing them.

3. Relatives in the workplace

There were noted cases of relatives in the workplace wherein some were appropriately disclosed to the Ethics and Conduct Office while others were not.

Very High Priority Recommendation:

- The Regional Director should remind Country Offices as well as Regional Office’s staff to disclose to the Human Resources Unit close relatives or family as required under IOM policies and procedures.

Management agreed with the recommendations and is implementing them.

4. Ineffective Delegation of Authority and inappropriate approval of Representation Expenses
- The Delegation of Authority matrix signed in 2012 and updated in 2016 is limited to procurement. The Regional Director is the final approver on all other processes, except when he is not available, an Officer in Charge is designated.
- In several transactions reviewed, it was observed that a different person other than the Regional Director approved those transactions. However, there were representation expenses of the Regional Director which were approved by himself and not escalated to the Office of the Director General for approval.

Very High Priority Recommendation:

- Develop a more comprehensive delegation of authority matrix following IOM policies.

Management agreed with the recommendations and is implementing them.

5. Inappropriately high cash balance in US dollars

In 2015, the Country Office obtained approval to maintain high cash balance in US dollars with instructions to reduce it as soon as possible and ensure adequate safeguards are in place to secure the cash.

However, when the situation allowed for USD cash balances to be reduced, no such measure was implemented. It was also observed that the Country Office did not institute the necessary safeguards to secure cash.

Very High Priority Recommendation:

- Implement proper cash handling measures to reduce the high cash balances in US dollars consistent with IOM policies and procedures.

Management agreed with the recommendations and is implementing them.

II. High Priority Recommendations

1. Insufficient support to the Country Offices in terms of Resource Management

The quarterly reports sent by the Regional Office did not reflect the true regional financial situation since there were noted incomplete and inaccuracies in reporting. There were also resource management practices at the Country Offices which do not conform to IOM policies and procedures and may lead to potential misconduct on cash management.

High Priority Recommendation:

- Regional Office should strengthen its oversight of Country Offices in implementing proper resource management and reporting.

Management agreed with the recommendations and is implementing them.

2. Ineffective application of the Memorandum of Understanding with the Government

IOM enjoys the same full privileges and immunities of specialized agencies of the United Nations. However, in practice, there are situations wherein the agreement is not respected by local authorities particularly those affecting locally recruited staff.

High Priority Recommendation:

- The Regional Office should consistently implement IOM Human Resources policies. Further, they should seek assistance from Legal department, as needed.

Management agreed with the recommendations and is implementing them.

3. Inadequate risk management of ongoing projects and inappropriate implementation of risk management plan

There was no proper project life cycle risk management being done at the Country Office level. Hence, risk management was not systematically performed for a majority of projects endorsed in the Region.

Many of the findings in the risk assessment review conducted in May 2016 have not yet been addressed.

High Priority Recommendation:

- The Regional Office and Country Office should fully comply with IOM risk management policies and procedures. They need to implement the agreed risk treatment plan to address the issues raised in the risk assessment review of May 2016.

Management agreed with the recommendations and is implementing them.

4. Insufficient control of payroll processing

The Country Office and Regional Office payroll is posted by a staff in the Regional Office. However, the approval is divided between the Regional Office and the Country Office. Further, there are practices which did not comply with IOM policies and procedures for payroll processing which may result to errors or wrong payments to staff.

High Priority Recommendation:

- Regional and Country Offices should fully comply with IOM policies and procedures for payroll processing.

Management agreed with the recommendations and is implementing them.

5. Untimely submission of donor reports

There were noted delays on the submission of final reports for endorsement of projects managed by the Regional Office.

High Priority Recommendation:

- While it is the Project Manager that is responsible for the timely submission of donor reports, the Regional Office should ensure appropriate submission and project closures are done for projects under its direct management.

Management agreed with the recommendations and is implementing them.

6. Unnecessary currency exposure due to non-use of legal tender for contract negotiation with local provider

The rental agreement signed by the Regional Office was originally pegged in local currency, however, the agreement was subsequently amended to a fixed amount in US dollars with a yearly currency exchange rate increase. As such, the Regional Office suffered foreign exchange losses.

High Priority Recommendation:

- Future rental agreements should be negotiated in local currency.

Management agreed with the recommendations and is implementing them.

7. Non-adherence to policy and inappropriate administration of consultancy contracts

There were instances noted wherein consultants were hired and inappropriately charged with tasks which are solely to be performed by regular IOM staff. The recording in PRISM for these consultants were not consistent with IOM rules.

High Priority Recommendation:

- The Regional Office should fully comply with IOM policies and procedures over hiring and administration of consultants.

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
Fully effective	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.
Substantially effective	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.
Partially effective	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.
Largely ineffective	Significant control gaps. Either controls do not treat root causes or they do not operate at all effectively.
None or totally ineffective	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
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.	Ongoing control as part of a management system.