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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Algiers**  
**DZ201801**  
**24 - 28 June 2018**

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

**Report on the Audit of IOM Algiers**  
**Executive Summary**  
**Audit File No. DZ201801**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Algiers, Algeria (the “Country Office”) from 24 to 28 June 2018. 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 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 and Technology
- g. Programme and Operations

The audit covered the activities of the Country Office from June 2016 to June 2018. The Country Office recorded the following expenses based on IOM financial records:

- 2017 – USD 137,406 representing 0.009 per cent and 0.044 per cent of IOM Total and North Africa, Middle East and the Gulf States Region, respectively.
- January to June 2018 – USD 359,564 representing 0.042 per cent and 0.25 per cent of IOM Total and North Africa, Middle East and the Gulf States 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 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 **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. Organizational structure
2. Staff contracts
3. Personnel files
4. Financial supporting documents
5. Financial monitoring
6. Procurement process
7. Asset management
8. Vendor management
9. Programme implementations

There was satisfactory performance noted in Contracting and Information Technology.

## Key recommendations: Total = 21; High Priority = 9; Medium Priority = 12

For the 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:

1. One (1) recommendation each for Management and Administration and Programme and Operations, two (2) recommendations for Personnel, and three (3) recommendations for Procurement and Logistics. These recommendations aim to ensure that the assets of IOM are properly safeguarded, staff welfare is secured and that IOM operations are effective and efficient.
  - Establish its own resource management capacity to become fully autonomous and more efficient.
  - Efforts should be undertaken to regularize the above-named contracts as soon as possible.
  - Ensure that all personnel files contain all the required documents within the next three months.
  - Recruit immediately the resource management staff and strengthen internal controls over procurement.
  - Undertake a comprehensive physical verification of all assets and reconcile the results to the records.
  - Perform corrective actions over the weaknesses noted in vendor management.
  - Establish an effective monitoring mechanism to ensure that no over or underspending occurs.

2. Two (2) recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
  - Prepare and keep accurate payment files with complete supporting documents to have a reliable accounting trail.
  - Develop a proper forecast and monitoring tool and update information regularly.

There remain 12 Medium priority recommendations consisting of: 6 recommendations in Management and Administration, 2 recommendations in Personnel and 4 recommendations in Finance and Accounting, 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.

There were no low priority recommendations noted.

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

All 21 recommendations were accepted. Management 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 Country Office**

The main office is located in Algiers, Algeria. As of June 2018, the Country Office has 10 personnel categorized into: 2 officials, 6 staff and 2 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2017 – USD 137,406 representing 0.009 per cent and 0.044 per cent of IOM Total and North Africa, Middle East and the Gulf States Region, respectively.
- January to June 2018 – USD 359,564 representing 0.042 per cent and 0.25 per cent of IOM Total and North Africa, Middle East and the Gulf States Region, respectively.

For the period from 1 January to 30 June 2018 the Country Office has a total portfolio of 8 projects and a total budget of USD 1,610,961. The top 2 projects by type:

- 3 Projects for Return and Reintegration amounting to USD 1,282,882 or 79.63 per cent of the budget.
- 1 Project on Community and Economic Development amounting to USD 99,850 or 6.20 per cent 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 **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.”

2. Satisfactory performance was noted in Contracting and Information and Technology.

### IV. Key Findings and High Priority Recommendations

#### 1. Organizational Structure

The Country Office has a strategic plan in place, but critical positions have yet to be filled up. Hence, delegation of authority matrix cannot be fully implemented, and some functions are performed remotely.

High Priority Recommendation:

- Establish its own resource management capacity to become fully autonomous and more efficient.

#### 2. Staff contracts

All local employees are on special all-inclusive contracts which means that the employees were direct hires and have not gone through proper selection process.

High Priority Recommendation:

- Efforts should be undertaken to regularize the above-named contracts as soon as possible.

#### 3. Personnel files

Personnel files are lacking critical documents such as terms of reference, copies of personal history form, copies of security certificates, to name a few. The staff evaluation system is also not updated.

High Priority Recommendation:

- Ensure that all personnel files contain all the required documents within the next three months.

#### 4. Financial supporting documents

Payment vouchers/files are not properly supported with essential documents to ascertain accuracy and validity of disbursements.

High Priority Recommendation:

- Prepare and keep accurate payment files with complete supporting documents to have a reliable accounting trail.

5. Financial monitoring

There is a project monitoring tool in place, however, due to the delays in recording, reports do not reflect the true budget situation at a given point in time.

High Priority Recommendation:

- Develop a proper forecast and monitoring tool and update information regularly.

6. Procurement process

The Country Office does not have a dedicated procurement staff and a purchase authorization matrix in place.

High Priority Recommendation:

- Recruit immediately the resource management staff and strengthen internal controls over procurement.

7. Asset Management

There were significant internal control deficiencies in asset management. There is also no property insurance coverage in place.

High Priority Recommendation:

- Undertake a comprehensive physical verification of all assets and reconcile the results to the records.

8. Vendor management

There is no proper vendor screening taking place. The required vendor information sheet is not systematically used to create vendors in the system, resulting to incomplete information such as absence of disclosure of conflict of interest, among others. There is no regular evaluation of active vendors.

High Priority Recommendation:

- Perform corrective actions over the weaknesses noted in vendor management.

9. Programme implementation

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

High Priority Recommendation:

- Establish an effective monitoring mechanism to ensure that no over or underspending occurs.

*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.