



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Paris
FR201801
9 - 13 April 2018

Issued by the Office of the Inspector General

Report on the Audit of IOM Paris
Executive Summary
Audit File No. FR201801

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Paris, France (the “Country Office”) from 9 to 13 April 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 January 2016 to December 2017. The Country Office recorded the following expenses based on IOM financial records:

- 2016 – USD 1,414,868 representing 0.09 per cent and 0.93 per cent of IOM Total and European Economic Area Region, respectively.
- 2017 – USD 776,128 representing 0.05 per cent and 0.39 per cent of IOM Total and European Economic Area 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. Privileges and Immunities with the host country
2. Segregation of duties
3. Delegation of authority matrix
4. Project funding
5. Procurement process

Key recommendations: Total = 23; High Priority = 5; Medium Priority = 18

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. Three (3) recommendations for Management and Administration; and one (1) recommendation in 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.
 - Prioritize dialogue with the Government to negotiate an agreement that clarifies the Country Office’s legal status in the Country.
 - Given the limited number of staff, adapt compensating controls to mitigate the risks of conflicting roles.
 - A formally approved and updated delegation of authority matrix needs to be established with positions and corresponding authorities as well as thresholds.
 - Ensure that internal controls over the procurement process follow IOM guidelines.
2. 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.
 - The Country Office should not take unnecessary risks by initiating expenses beyond a certain threshold if funding has not been received as per the agreement.

There remain another 18 Medium priority recommendations consisting of: 3 recommendations in Management and Administration, 6 recommendations in Personnel, 3 in Finance and Accounting, 2 recommendations in Procurement and Logistics, 1 recommendation each in Contracting and Information Technology, and 2 recommendations in Programme and Operations 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 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 Paris, France. As of April 2018, the Country Office has 11 staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2016 - USD 1,414,868 representing 0.09 per cent and 0.93 per cent of IOM Total and European Economic Area Region, respectively.
- 2017 - USD 776,128 representing 0.05 per cent and 0.39 per cent of IOM Total and European Economic Area Region, respectively.

The Country Office has a total portfolio of 25 projects and a total budget of USD 3,205,226. The top 2 projects by type:

- 11 projects for Resettlement Assistance amounting to USD 1,872,092 or 58 per cent of the budget.
- 4 projects for Return and Reintegration for Migrants and Governments amounting to USD 572,418 or 18 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.”

IV. Key Findings and High Priority Recommendations

1. Privileges and Immunities with the host country

No formal agreement exists between IOM France and the French government to define its legal status, which remains unclear.

High Priority Recommendation:

- Prioritize dialogue with the Government to negotiate an agreement that clarifies the Country Office’s legal status in the Country.

2. Segregation of Duties

Conflicting roles and responsibilities were noted in the functions assigned to the staff in the Country Office.

High Priority Recommendation:

- Given the limited number of staff, adapt compensating controls to mitigate the risks of conflicting roles.

3. Delegation of authority matrix

There was no formal documentation on delegation of authorities over the approval and authorization of procurement, human resources and finance, and their approval limits.

High Priority Recommendation:

- A formally approved and updated delegation of authority matrix needs to be established with positions and corresponding authorities as well as thresholds.

4. Project Funding

There was significant delay in the funding of a particular project, for which only a letter of intent had been signed, but not the agreement itself.

High Priority Recommendation:

- The Country Office should not take unnecessary risks by initiating expenses beyond a certain threshold if funding has not been received as per the Agreement.

5. Procurement Process

There were noted weaknesses in internal controls over the procurement process.

High Priority Recommendation:

- Ensure that internal controls over the procurement process follow IOM guidelines.

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.	Discussed directly with management and actions to be initiated as part of management's ongoing control.