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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Athens**  
**GR201701**  
**7 - 16 March 2017**

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

**Report on the Audit of IOM Athens**  
**Executive Summary**  
**Audit File No. GR201701**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Athens, Greece (the “Country Office”) from 7 to 16 March 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 and Technology
- g. Programme and Operations

The audit covered the activities of the Country Office from 1 January 2015 to 28 February 2017. The office recorded the following expenses based on IOM financial records:

- 2016 - USD 26,495,926 representing 2% and 9% of IOM Total and European Economic Area Region, respectively.
- 1 January 2017 to 28 February 2017 - USD 12,419,715 representing 5% and 23% 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 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 that 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. Organizational Structure
2. Resources Management
3. Privileges and Immunities
4. Safety and Security
5. VAT Exemption
6. Project Funding
7. Transportation of Migrants

There was satisfactory performance in Contracting.

**Key recommendations: Total = 22; High Priority = 7; Medium Priority = 14; Low Priority = 1**

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. Four (4) recommendations for Management and Administration and two (2) recommendations for Programme and Operations. These recommendations aim to ensure that the assets of IOM are properly safeguarded and that IOM has efficient and effective operation in place.

These are as follows:

- Establish a consolidated and streamlined organizational structure to encompass all Country Office activities
  - Increase capacity of the Resource Management Unit and ensure adequate controls and proper segregation of duties are in place
  - Continue to pursue efforts to engage the Government of Greece to formally recognize IOM’s Privileges and Immunities in the country.
  - Proceed with an independent UN Department of Safety and Security assessment of all its premises
  - Take immediate action to closely monitor levels of expenditure does not exceed the income received
  - Establish an adequately controlled system over the transportation of migrants
2. One (1) recommendation on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office’s financial and operational information.
    - Assess the potential impact of VAT payment on projects and communicate with the respective donors.

Except in the area of Contracting, there remains another 14 Medium priority recommendations consisting of: Three (3) recommendations in Management and Administration; Four (4) in Personnel; One (1) in Finance and Accounting; Two (2) in Procurement and Logistics; One (1) in Information Technology; and Three (3) 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.

Low priority recommendation (not included in this Executive Summary) has been discussed directly with management and actions have been initiated to address them.

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

All 22 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 Office**

The Main Office is located in Athens, Greece. As of 28 February 2017, the Office has 280 personnel categorized into: 6 officials, 267 staff and 7 non-staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 2016 - USD 26,495,926 representing 2% and 9% of IOM Total and European Economic Area Region, respectively.
- 1 January 2017 to 28 February 2017 - USD 12,419,715 representing 5% and 23% of IOM Total and European Economic Area Region, respectively.

The Country Office has a total portfolio of 71 projects and total budget of USD 56,285,636. The top two projects by type:

- 20 Projects for Return Assistance to Migrants and Governments amounting to USD 14,830,920 million or 26% of the budget.
- 3 Projects on Community Stabilization amounting to USD 24,078,296 million or 43% 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”.

#### 2. There was satisfactory performance in Contracting.

### IV. Key Findings and High Priority Recommendations

#### 1. Organizational Structure

The Country Office operates in a parallel structure with multiple organigrams divided among emergency and non-emergency related activities, working in silo.

##### High Priority Recommendations

- Establish a consolidated and streamlined organizational structure to encompass all Country Office activities.

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

#### 2. Resources Management

The Resources Management local structure has not been able to cope with the exponential increase in the number of projects and project funding.

##### High Priority Recommendation:

- Increase capacity of the Resource Management Unit
- Ensure adequate controls and proper segregation of duties are in place

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

#### 3. Privileges and Immunities

The Country Office is faced with several poor compliance issues with the 1947 UN Convention.

##### High Priority Recommendation:

- The Country Office should continue to pursue efforts in coordination with relevant IOM units in order to engage the Government of Greece to formally recognize IOM's Privileges and Immunities in the Country.

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

#### 4. Safety and Security

There has been no clear and conclusive UN Department of Safety and Security assessment performed in the Country Office and its sub-offices.

High Priority Recommendation:

- The Country Office is encouraged to proceed with an independent UNDSS assessment of all its premises.

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

#### 5. VAT Exemption

Under the current VAT regulation of October 2016, the Country Office is not enjoying the VAT exemption for the main part of the project expenditures.

High Priority Recommendation:

- Assess the potential impact of VAT payment on projects and communicate with the respective donors.

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

#### 6. Project Funding

Despite the project being signed and ongoing, the pre-finance payment has not yet been made for this particular project.

High Priority Recommendation:

- The Country Office should take immediate action to closely monitor levels of expenditure does not exceed the income received.

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

#### 7. Transportation of migrants

There is no systematic process to request vans and buses for the migrants.

High Priority Recommendation:

- Establish an adequately controlled system over the transportation of migrants.

*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 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.