



IOM International Organization for Migration

EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM Antananarivo
MG201701
1 - 4 May 2017

Issued by the Office of the Inspector General

Report on the Audit of IOM Antananarivo
Executive Summary
Audit File No. MG201701

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Antananarivo, Madagascar (the “Country Office”) from 1 to 4 May 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 April 2015 to 30 April 2017. The office recorded the following expenses based on IOM financial records:

- 2015 - USD 619,165 representing 0.051% and 2.027% of IOM Total and Southern Africa Region, respectively.
- 1 January 2016 to 30 April 2017 - USD 516,076 representing 0.024% and 1.08% of IOM Total and Southern Africa 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. Organizational structure
2. Maintenance of personnel files
3. Petty cash fund
4. Daily Subsistence Allowances and other advances
5. Procurement

There was a satisfactory performance noted in Contracting.

Key recommendations: Total = 18; High Priority = 5; Medium Priority = 12; Low Priority =1

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, Personnel, Procurement and Logistics. These recommendations aim to ensure that the assets of IOM are properly safeguarded, staff welfare is assured and that efficient and effective operation is in place.

These are as follows:

- Develop guidelines on delegation of authority
 - Update personnel files and comply with IOM rules on staff evaluation
 - Comply fully with IOM guidelines on procurement and conduct training for the new procurement staff
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.
 - Comply with IOM guidelines on petty cash handling and record keeping
 - Comply with IOM guidelines for recording daily subsistence allowances and other advances

Except in the area of Contracting, there remains another 12 Medium priority recommendations consisting of: Four (4) recommendations in Management and Administration; Three (3) in Personnel; Two (2) in Finance and Accounting; One (1) in Procurement and Logistics; One (1) in Information Technology; and One (1) 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 18 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 Antananarivo, Madagascar. As of 1 May 2017, the Office has 10 personnel categorized into: 4 officials and 6 staff. The office recorded the following expenses based on IOM financial records for the following periods:

- 2015 - USD 619,165 representing 0.051 % and 2.027 % of IOM Total and Southern Africa Region, respectively.
- 1 January 2016 to 30 April 2017 - USD 516,076 representing 0.024 % and 1.08 % of IOM Total and Southern Africa Region, respectively.

The Office has a total portfolio of 12 projects and total budget of USD 1,060,573 from April 2015 to April 2017. The top two projects by type:

- 3 Projects for Counter Trafficking (CT) amounting to USD 551,944 or 52% of the budget.
- 1 Project on Emergency Response and assistance to Displaced Populations (DP) amounting to USD 166,661 or 15.7 % 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 a satisfactory performance noted in Contracting.

IV. Key Findings and High Priority Recommendations

1. Organizational structure

There is no delegation of authority matrix in place in the Country Office. Conflicting duties assigned to individuals were also noted.

High Priority Recommendations:

- Develop guidelines on delegation of authority.

Management agreed with the recommendations and is implementing them.

2. Maintenance of Personnel files

Several personnel files were noted to be lacking in key documents. In addition, staff evaluation forms have not been created for new staff.

High Priority Recommendations:

- Update personnel files and comply with IOM rules on staff evaluation.

Management agreed with the recommendations and is implementing them.

3. Petty Cash fund

Payments from petty cash exceeds the maximum limit for individual payments. There were also non-compliances with IOM guidelines on petty cash handling and record keeping.

High Priority Recommendations:

- Comply with IOM guidelines on petty cash handling and record keeping.

Management agreed with the recommendations and is implementing them.

4. Daily Subsistence Allowances and other advances

The Country Office does not comply with the normal accounting procedures with respect to the recording of Daily subsistence Allowance and other advances.

High Priority Recommendations:

- Comply with IOM guidelines for recording daily subsistence allowances and other advances.

Management agreed with the recommendations and is implementing them.

5. Procurement

There were deficiencies noted in the procurement procedures in place. In addition, there was a new procurement staff hired by the Country Office who has not yet undergone proper training.

High Priority Recommendations:

- Comply fully with IOM guidelines on procurement and conduct training for the new procurement staff.

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 portray 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.