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IOM International Organization for Migration

**EXECUTIVE SUMMARY**  
**INTERNAL AUDIT REPORT**  
**IOM Niger**  
**NE201701**  
**15 - 24 February 2017**

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

**Report on the Audit of IOM Niger**  
**Executive Summary**  
**Audit File No. NE201701**

The IOM Office of the Inspector General (OIG) conducted an internal audit of the IOM Niger, the Republic of Niger (the “Country Office”) from 15 to 24 February 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 Technology
- g. Programme and Operations

The audit covered the activities of the Country Office from 1 January 2015 to 31 December 2016. The Country Office recorded the following expenses based on IOM financial records:

- 2015 - USD 7,148,000 representing 0.59 % and 7.05 % of IOM Total and Central and West Africa Region, respectively.
- 2016 - USD 18,215,000 representing 1.14 % and 18.22 % of IOM Total and Central and West 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 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. Business Continuity Plan and risk management strategy
2. Tracking of sick leaves
3. Segregation of duties and access control matrix
4. Classification of project expenditures
5. Insurance coverage of vehicles and premises
6. Cash for work payments by third parties

There was a satisfactory performance noted in Information Technology.

**Key recommendations: Total = 24; High Priority = 6; Medium Priority = 17; 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. One (1) recommendation each for Management and Administration, Personnel, Procurement and Logistics, and Programme and Operations. These recommendations aim to ensure that the assets of IOM are properly safeguarded and staff welfare is secured.
  - Update and adopt its own Business Continuity Plan and develop risk management strategy
  - Track sick leaves using automated system
  - Require timesheets as proof of hours worked for cash for work payments
  - Purchase of comprehensive insurance coverage for vehicles and premises
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.
  - Enhance the segregation of duties in procurement process and update of access control matrix
  - Reconciliation of project expenditures

Except in the area of Information Technology, there remains another 17 Medium priority recommendations consisting of: Five (5) recommendations in Management and Administration; One (1) in Personnel; Two (2) in Finance and Accounting; Four (4) in Procurement and Logistics; Two (2) in Contracting; 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 24 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 Niamey, the Republic of Niger. As of 31 December 2016, the Country Office has 104 personnel categorized into: 23 officials, 69 staff and 12 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- 2015 - USD 7,148,000 representing 0.59 % and 7.05 % of IOM Total and Central and West Africa Region, respectively.
- 2016 - USD 18,215,000 representing 1.14 % and 18.22 % of IOM Total and Central and West Africa Region, respectively.

From January 2015 to 31 December 2016 the Country Office has a total portfolio of 53 projects and a total budget of USD 25,404,765. The top two projects by type:

- 11 Projects on Community Stabilization amounting to USD 10,811,599 or 43% of the budget.
- 13 Projects on Return Assistance amounting to USD 6,869,617 million or 27% 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 Information Technology.

#### **IV. Key Findings and High Priority Recommendations**

1. Business Continuity Plan and Risk Management Strategy

The Country Office does not have its own updated Business Continuity Plan in the event of a major disaster or significant security incident. While there is a three-year strategic plan in place, there is no risk management strategy to assess the potential issues that may prevent the Country Office from achieving its plans.

High Priority Recommendations:

- Update and adopt its own Business Continuity Plan
- Develop a risk management strategy

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

2. Poor tracking of sick leaves

There is a hybrid system of paper and electronic tracking of sick leaves since not all employees use the in-house automated system. As such, there were discrepancies between the recorded sick leaves and actual usage of leaves.

High Priority Recommendations:

- Consistent use of in-house automated system to track all leave requests
- Implement periodic review and sign off of employee leave balances

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

3. Segregation of Duties and Access Control Sheet

There were incompatible responsibilities granted to an employee for the creation and approval of Purchase Orders as well as the custody and recording of fuel cards. Furthermore, the Access Control sheet was not updated.

High Priority Recommendations:

- Assign duties for creation and approval of purchase orders to different individuals
- Assign a different individual to record and report fuel usage from the one with physical custody over fuel cards
- Update Access Control Sheet in the in-house software

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

4. Project in deficit

A particular project resulted in a deficit due to misclassification of expenditures and the lack of proper monitoring.

High Priority Recommendations:

- Complete detailed reconciliation of project expenditures and propose adjustments, if any

- Revisit the donor agreement and engagements for pending commitments, if any

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

5. Insurance of Vehicles and Premises

The Country Office does not have a fire or property insurance in place to cover its leased office premises. Vehicles are only insured for third party liability and not a comprehensive insurance coverage as per IOM policy.

High Priority Recommendations:

- Purchase a fire and property insurance coverage for Country Office premises
- In addition to the third-party liability coverage, obtain comprehensive insurance coverage for all vehicles including passengers' risks

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

6. Cash for Work Payments by Third Parties

The existing process for cash for work payments issued by third party contractors do not require justification of wages earned, proof that work has been completed, nor the date/time that the work was performed.

High Priority Recommendations:

- Require the use of timesheets for individuals paid cash for work to backup earned wages
- Timesheets be reconciled by the Finance to actual payments as proof of payments

*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:

<b>Rating</b>	<b>Definition</b>	<b>Suggested action</b>	<b>Suggested timeframe</b>
<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.