



EXECUTIVE SUMMARY
INTERNAL AUDIT REPORT
IOM TRIPOLI
LY202001
December 2020 – January 2021

Issued by the Office of the Inspector General

International Organization for Migration

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Report on the Audit of IOM Tripoli
Executive Summary
LY202001

The IOM Office of the Inspector General (OIG) conducted a *remote* internal audit of Country Office IOM Tripoli, Libya (the “Country Office”) from December 2020 to January 2021. Internal Audit aimed to assess 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.

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. Due to the limitation of a *remote* internal audit, the review was based on scanned copies of documents provided by the Country Office.

Selected samples from the following areas were reviewed:

- a. Management and administration
- b. Human Resources
- c. Finance and Accounting
- d. Procurement and Contracting
- e. Information Technology
- f. Programme and Operations

The audit covered the activities of the Country Office from December 2018 to January 2021. The Country Office recorded the following expenses based on IOM financial records:

- December 2018 to December 2019 - USD 42,401,289 representing 2 per cent and 13 per cent of IOM Total and Middle East and North Africa Region, respectively
- January 2020 to January 2021 – USD 46,655,810 representing 4 per cent and 23 per cent of IOM Total and Middle East and North Africa Region, respectively.

The last internal audit of the Country Office was 2016.

The *remote* 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, Major improvements needed** which means:

Significant and/or material issues noted. Internal controls, governance and risk management practices are generally implemented, but have some weaknesses in design or operating effectiveness such that, until they are addressed, there is no reasonable assurance that the objectives are likely to be met.

(Indicatively, up to 5 very high-risk issues, up to 15 high risk issues, and several medium issues).

This rating was mainly due to weaknesses noted in the following areas:

1. Accounting and projectization of warehouse construction
2. Exit visa processing
3. Privileges and Immunities framework
4. Staff Location, travel on duty and rotation cycle
5. Cash administration
6. Accounting and disbursement process
7. Long outstanding items in vendor and staff accounts
8. Incomplete vendor files
9. Vehicle fleet management
10. Host family allowance

Key recommendations: Total = 30; Very High Priority = 2; High Priority = 8; Medium Priority = 20

Very High Priority Recommendation:

Prompt action is required within a month to ensure that processes will not be critically disrupted and IOM will not be *critically* adversely affected in its ability to achieve its strategic and operational objectives.

There are two Very High Priority recommendations consisting of one recommendation each for Finance and Accounting and Programme and Operations. These are as follows:

1. Coordinate with Regional Office and Headquarters on the best possible course of action for resolving the warehouse construction on leased property.
2. Establish a standard approach to process exit visas and provide training to all those involved.

High Priority Recommendation:

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 recommendation for Management and Administration, one recommendation for Human Resources, two recommendations for Procurement and Contracting and one recommendation for Programme and Operations. 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.
 - CO should continue to coordinate closely with IOM Tunisia, the Regional Office, and Headquarters to improve the status of IOM Libya in Tunis.

- Review the staff rotation cycle for IOM Libya based staff and options for telecommuting to improve supervision over Tripoli activities.
 - Update vendor files with the necessary supporting documentation, including signed code of conduct for vendors.
 - Establish clear guidance over vehicle usage and a written memo signed by all involved clarifying the rights and obligations of each of the users, if applicable.
 - Improve the process of payment to host families in coordination with relevant units in the organization.
2. Three recommendations on Finance and Accounting are directed towards the enhancement of the reliability and integrity of the Country Office's financial and operational information.
- Formalize the standard operating procedures for cash administration in coordination with relevant units within the organization, taking into context the security situation in Libya.
 - Review the existing internal control systems to address the gaps and weaknesses identified in the accounting and disbursement process and establish adequate supervision and quality control to ensure compliance.
 - Establish adequate systems and processes to improve the management of vendor payables.

There are twenty Medium priority recommendations consisting of six recommendations in Procurement and Contracting, five recommendations in Finance and Accounting, four recommendations in Human Resources, two recommendations each in Information Technology and Programme and Operations, and one recommendation in Management and Administration 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.

Management comments and action plans

Management is in the process of implementation. Comments and any additional information provided have been incorporated into the report, where appropriate.

Limitations on the Scope of the Audit

Because of the concept of selective testing of data and inherent limitation of *remote* internal auditing, there is no guarantee that all matters of significance to IOM will be discovered by Internal Audit. It is the responsibility of Country Office local management 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. 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 in Tripoli, Libya. As of January 2021, the Country Office has 192 personnel categorized into: 48 officials, 107 staff and 37 non-staff. The Country Office recorded the following expenses based on IOM financial records for the following periods:

- December 2018 to December 2019 - USD 42,401,289 representing 2 per cent and 13 per cent of IOM Total and Middle East and North Africa Region, respectively
- January 2020 to January 2021 – USD 46,655,810 representing 4 per cent and 23 per cent of IOM Total and Middle East and North Africa Region, respectively.

The Country Office has a total portfolio of sixty-two (62) projects and total budget of USD 111.5 million. Top 2 projects by type:

- 4 Projects for Repatriation assistance amounting to USD 83.9 million or 75 per cent of budget
- 8 Projects on Emergency response and assistance to displaced populations amounting to USD 8.5 million or 8 per cent of budget

The last audit was performed in 2016.

II. Scope of the Audit

1. Objective of the Audit

The *remote* 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.

Due to the limitation of a remote audit, the review was based on scanned copies of documents provided by the Country Office.

III. Audit Conclusions

1. Overall Audit Rating

OIG assessed the Office as **Partially Effective, Major improvements needed** which means:

Significant and/or material issues noted. Internal controls, governance and risk management practices are generally implemented, but have some weaknesses in design or operating effectiveness such that, until they are addressed, there is no reasonable assurance that the objectives are likely to be met.

(Indicatively, up to 5 very high-risk issues, up to 15 high risk issues, and several medium issues).

IV. Key Findings and Recommendations

1. Accounting and projectization of warehouse construction

The CO constructed a warehouse on leased property without prior approval from donors or guidance from the Accounting and Financial Reporting Division (ACO) on proper accounting treatment.

Very High Priority Recommendation:

- Coordinate with Regional Office and Headquarters on the best possible course of action for resolving the warehouse construction on leased property.

2. Exit Visa processing

Discrepancies were found in exit visa receipts compared to the lists of returnees and the cash advance settlements.

Very High Priority Recommendation:

- Establish a standard approach to process exit visas and provide training to all those involved.

3. Privileges and Immunities Framework¹

4. Staff Location, travel on duty and rotation cycle

5. Cash administration

There were control deficiencies noted in cash administration.

High Priority Recommendation:

- Formalize the standard operating procedures for cash administration in coordination with relevant units within the organization.

¹ Issues 3, 4, 9 are not presented per the established protocol on public disclosure (IN IB/78 Rev. 1 "Disclosure of Internal Audit Reports")

6. Accounting and disbursement process

There were gaps noted in the accounting and disbursement process which may raise concerns on the effectiveness of internal controls, reliability of the financial information, and donor eligibility requirements.

High Priority Recommendation:

- Review the existing internal control systems to address the gaps and weaknesses identified in the accounting and disbursement process and establish adequate supervision and quality control to ensure compliance.

7. Long outstanding items in vendor and staff accounts

There were long outstanding vendor accounts for both staff and non-staff, with some items dating back to 2014. This includes unsettled operational and travel advances, unpaid vendor invoices and retentions payable, medical claims and payments due to separated staff.

High Priority Recommendation:

- Establish adequate systems and processes to improve the management of vendor payables.

8. Incomplete vendor files

There were no vendor performance evaluations in place and some vendor files miss essential documentation such as clearance against sanctioned vendor lists, code of conduct for vendors, besides vendor creation and information forms.

High Priority Recommendation:

- Update vendor files with the necessary supporting documentation, including signed code of conduct for vendors.

9. Vehicle fleet management

10. Host family allowance

Inconsistencies and delays were noted in the settlement of cash advances for payment to host families under the Voluntary Humanitarian Return Programme.

High Priority Recommendation:

- Improve the process of payment to host families in coordination with relevant units in the Organization.

Management agreed with all the recommendations and is implementing them.

ANNEXES

Definitions

IG opinion on the overall adequacy of the internal controls, governance, and management processes, based on the number of audit findings and their risk levels:

Descriptor	Guide
Effective	<p>No significant and/or material issue(s), or few moderate/minor issues noted. Internal controls, governance and risk management processes are adequately designed, well implemented, and effective, to provide reasonable assurance that the objectives will be met.</p> <p>(Indicatively, no very high and high-risk issues)</p>
Partially Effective, Some improvements needed	<p>Few significant issue(s), or some moderate issues noted. Internal controls, governance, and risk management practices are adequately designed and well implemented, but a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.</p> <p>(Indicatively, no very high-risk issues)</p>
Partially Effective, Major improvements needed	<p>Significant and/or material issues noted. Internal controls, governance and risk management practices are generally implemented, but have some weaknesses in design or operating effectiveness such that, until they are addressed, there is no reasonable assurance that the objectives are likely to be met.</p> <p>(Indicatively, up to 5 very high-risk issues, up to 15 high risk issues, and several medium issues).</p>
Ineffective	<p>Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.</p> <p>(Indicatively, more than 5 very high-risk issues, more than 15 high risk issues, several medium issues).</p>

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.