

MC/2013

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EIGHTIETH SESSION

APPOINTMENT OF EXTERNAL AUDITORS

INTRODUCTION

1. The appointment of IOM's External Auditors is governed by Article 12 of the Financial Regulations which states:

“12.1 The Council shall appoint External Auditors of international repute who shall audit the accounts of the Organization in accordance with the principles set out in the Annex to these regulations and with such other directives as the Council may give.

12.2 The cost of such audit shall be a charge on the funds of the Organization”.

2. Since 1991, the External Auditors are appointed for a three-year period, renewable to ensure continuity. In November 1991, the IOM Council, by Resolution No. 827 (LXIII), appointed the Austrian Court of Audit to be the external auditors for a three-year term (1992 to 1994). This appointment was renewed twice. In November 1994, the Council extended their appointment from 1995 to 1997 (Resolution No. 909 (LXIX)) and, in November 1997, the Council approved an extension from 1998 to 2000 (Resolution No. 974 (LXXIV)).

3. On the occasion of the last renewal in November 1997, the Administration recommended that it be the last renewal period. The Austrian Court of Audit had now served for a total of nine years and, notwithstanding their completely satisfactory performance, a rotation, or at least a new bidding process, was judged to be appropriate. For the next three-year period commencing with the audit for 2001, the Administration was requested to invite competitive tenders from all Member States' auditors general.

ACTION TAKEN BY THE ADMINISTRATION

4. In a letter addressed to Member States on 4 April 2000, the Director General invited them to consider submitting offers to perform IOM's external audit for the years 2001, 2002 and 2003.

5. The Director General's letter provided information on the relevant stipulations of IOM's Financial Regulations, the scale and scope of the audit and the basic requirements for its execution. It requested that positive replies should include an acceptance of these requirements as well as an estimate of the audit fees. Regarding the audit fees, it was specifically noted that “the existing auditors charge only travel costs and per diem allowances, but no other audit fees”.

6. In reply to the Director General's letter, the auditors general of four Member States responded positively. All four confirmed that they would be willing to perform the external audit of IOM for a three-year term. They are:

- The Court of Accounts of Italy
- The Auditor General of Norway
- The Commission on Audit, Republic of the Philippines
- The Office of the Controller and the Auditor General of Tanzania

7. The responses, which in some cases included detailed submissions and audit plans, were reviewed closely by the Administration based on two principal criteria, international audit experience and audit fees. If appropriate information was not contained in their original submissions, additional information was obtained through follow-up communications and meetings.

MAIN SELECTION CRITERIA

8. The question of international audit experience has primary importance since IOM operates over 80 offices worldwide. IOM has extensive international financial transactions, deals in more than 60 currencies, has bank accounts in over 75 countries, manages a large internationally-invested retirement plan, and engages in foreign exchange transactions on a daily basis. IOM programmes are implemented on behalf of governments and contributors who demand compliance with international accounting standards. As a result, audit reports on specific projects must be delivered according to exacting criteria specified by individual donors. Finally, IOM has three official languages, English, French and Spanish, although the majority of the accounting records are in English. Therefore, if an audit is to be professionally and properly conducted, it is vital that the external auditor be experienced in these matters and be able to work effectively in such an international environment.

9. In reviewing the profiles of the four auditors general, it was noted that all were highly experienced in auditing within their own countries. In addition, the submissions of the auditors general of Norway and Philippines demonstrated a significant level of international experience in auditing a number of similar organizations.

10. The following is a summary of the principal international audits performed:

The Office of the Controller and the Auditor General of Tanzania:

Preferential Trade Area (PTA) - Lusaka, International Locust Control Association (ILCO), East African Community Secretariat, Organization for African Unity (OAU).

The Court of Accounts of Italy:

NATO Board of Audit, Council of Europe, Assembly of the Western European Union.

The Commission on Audit, Republic of the Philippines:

UN Board of Audit (1984-1993, 1999), World Bank (specific projects), UNDP (specific projects), USAID (specific projects), UN High Commissioner for Refugees (UNHCR), Economic and Social Commission for Asia and the Pacific (ESCAP), Economic Commission for Latin America and the Caribbean (ECLAC), UN Headquarters including the Department of Management, UN Oil for Iraq programme, UN escrow account, and other UN entities.

The Auditor General of Norway:

Organization for Economic Cooperation and Development (OECD), European Organization for Nuclear Research (CERN) and CERN Pension Fund, European Free Trade Association (EFTA), NATO Board of Audit, European Space Agency (ESA), European Organization for the Exploitation of Meteorological Satellites (EUMETSAT), European Centre for Medium-Range Weather Forecasts (ECMRWF), Council of Europe.

11. The question of audit fees is also important since IOM's present external auditors charge only travel costs and per diem allowances, and no other audit fees. The IOM Administrative Part of the Budget currently provides CHF 75,000 for external audit, which is sufficient to cover travel and per diem costs of an auditor at reasonably close proximity to Geneva. However, in case the auditor would seek reimbursement for their time commitment, as is common practice in the private sector, or if the auditor were too distant, thus raising travel expenses, audit costs would increase. If a new auditor were retained at higher cost, the allotment in the Administrative Part of the Budget would have to be adjusted to accommodate this increase.

12. In reviewing the four auditors general, it was noted that all four were willing to limit their charges to travel costs and per diem allowances. Therefore, the added cost of time reimbursement did not become an issue. Regarding travel costs, the following was noted:

- Per diem – it was determined that per diem rates would be the same in all instances and that this was not a determining factor.
- Travel – as the audit work will be done mostly in Geneva, the auditors general based closest will have lower travel costs. This is a factor to be taken into account, since in the case of the most geographically distant auditor general, this could add some CHF 20,000 to the audit cost.

OTHER FACTORS INFLUENCING THE SELECTION

13. It should be noted that none of the four auditors general has previously performed the external audit of IOM. The Auditor General of Norway, however, has some prior experience with IOM as it was appointed by the Council in 1999 to perform an examination of the general reclassification of posts in IOM.

14. IOM's external audit involves reviewing the IOM retirement scheme, the Staff Provident Funds, with assets currently in the range of USD 50 million and approximately 700 participants. Prior experience with international retirement plans and pension funds may therefore have a bearing on the selection process.

15. Experience in auditing the UN and specifically UNHCR, an organization with which IOM has much in common and with which it has engaged in several cooperative activities, is also a factor which ought to be considered.

CONCLUSIONS

16. Each of the four audit submissions presents strong points. International audit experience should, however, be the primary criteria for selection, the second being that of audit fees. Prior experience with IOM, similar organizations, and international retirement plans are supplementary factors.

17. It is to be hoped that the foregoing information will enable the Council to reach a decision on the appointment of IOM's external auditors for the period 2001 to 2003.