

STANDING COMMITTEE ON PROGRAMMES AND FINANCE

Twenty-fourth Session

STATEMENT OF THE EXTERNAL AUDITOR TO THE TWENTY-FOURTH SESSION OF THE STANDING COMMITTEE ON PROGRAMMES AND FINANCE ON THE FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION FOR MIGRATION FOR THE 2018 FINANCIAL YEAR

* This statement has been issued in its original form, as submitted to IOM by the External Auditor, the Auditor-General of Ghana.

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Honourable Chair, Distinguished delegates, Excellences

It is my privilege and honour to present to you today, the results of the external audit of the International Organization for Migration for the 2018 financial year.

The Auditor General of Ghana was appointed the External Auditor of IOM by Council at its 106th Session for the 2016, 2017 and 2018 financial years under the first term of appointment.

We presented our first Audit Report on IOM's financial statements for the year 2016 at the Committee's Twentieth Session in 2017 and presented our Audit Report last year on IOM's financial statement for the year 2017 at the Committee's Twenty-Second Session. We have concluded our third audit of the Organization which ends our first term of appointment in accordance with the Financial Regulations and Rules of IOM for the 2018 financial year. The final report on the audit, which contains significant audit findings and recommendations, has been presented separately for submission to 110th Session of IOM Council.

We performed compliance audits of IOM offices in Romania, Poland, Finland, Italy, Senegal, Libya, Tunisia and Burundi and reviewed some operations at Headquarters and Manila Administrative Centre. We also carried out Performance Audit of IOM Procurement Management and validated the Financial Statements of the Organization for the financial year ended 31 December, 2018.

We discussed our findings with the Chief of Missions and managers concerned, after which the findings were conveyed through Management letters. The most significant of these findings have been incorporated in the report. Management has accepted the recommendations and assured us that action would be taken to address them.

Overall Audit Opinion on the Financial Statements

In our opinion, the Financial Statements present fairly, in all material aspects, the financial position of the IOM's operations as at 31 December, 2018. We have placed an unqualified audit opinion on IOM's financial statements for the financial year ended 31 December, 2018.

Financial matters

The overall budget for the year 2018 was USD 1,805.80 million for the Operational Part and CHF 50.73 million for the Administrative Part. During the year 2018, the total revenue was USD 1,862.73 million and the total expenditure was USD 1,841.57 million, leaving a surplus of USD 21.16 million. The key financial indicators of IOM for the year ended 31 December, 2018 were as follows:

- IOM recorded a surplus (before exchange rate difference) of USD 21.16 million during the year 2018, compared to a surplus of USD 7.88 million registered in 2017, an increase of USD 13.28 million or 169 per cent.
- IOM revenue showed an increase of USD 248.44 million in 2018 over the 2017 amount of USD 1,614.29 million.
- Though due to increase in activities, most of the components of expenditure registered an increase in 2018 over the 2017 figures, the expenditure continued to remain within budget and revenue during 2018.

HEADQUARTERS AND MANILA ADMINISTRATIVE CENTRE

Overdue Voluntary Contribution Receivable

We noted that as at 30 September, 2018, the total amount of voluntary contribution receivable stood at USD 216,204,343 with un-booked receivables at USD 108,934,179. Our further analysis of the receivables showed that an amount of USD 8,410,820 remained beyond one year resulting in unrealized exchange losses after fair value adjustment amounting to USD 278,158. **Management should continue to follow up with country offices and standard operating procedures (SoPs) on the follow-up of outstanding receivables, including escalation procedures, should be developed to improve collectivity.**

Need to adopt a long-term funding strategy for capital expenditure

We noted from the 22nd Session of the Standing Committee on Programmes and Finance (SCPF) Resolution 18, referenced S/22/RES/18, and the decision to drawdown capital expenditure of USD 3.2 million from the 2018 Operational Support Income (OSI) to fund capital expenditure due to the expected future growth as well as the increasing complexity of IOM's operations. **Management should liaise with the SCPF and consider the development of a long-term capital expenditure funding strategy and the establishment of a dedicated Headquarters Capital Fund for the purpose of covering the cost of major construction works, repairs, renovation, system enhancement and replacement of equipment with clear funding sources and disbursement procedures to ensure its sustainability**

Failure to block suspended vendors

During our review, we noted that out of 12 vendors suspended as at 31 December 2016, due to their improper conduct of business with IOM {as published by Global Procurement and Supply Unit (GPSU)}, only 4 had been deactivated or blocked leaving 8 vendors unblocked in the System Applications Product Processes and Resources Integrated Systems Management (SAP PRISM) vendor database. **We urged Management to enhance internal communication among various offices and units, and introduce standard operating procedures for deactivating vendors whose actions have been duly investigated and concluded by the Organization to be non-compliant.**

Absence of procedures to implement Financial Disclosure Interest

We noted that the Organization's IN/13 on financial and other obligations of staff members does not provide procedures for staff financial disclosure to enhance the continuous efforts in promoting transparency within the Organization. **Management should review IN/13 and introduce procedures for disclosing staff financial interests, and initiate financial disclosure interest programmes through the Ethics Office as a measure to enhance staff compliance and ensure transparency and accountability.**

Need to enhance efficiency in the internal controls system

Although we have not identified material failure in the operation of the internal controls of the Organization, the continuous use of non-updated instructions or rules to field officers is not keeping pace with the Organization's dynamic growth and expansion. We also noted that, the proposed Internal Governance Framework (IGF) showed no formally established standard operating policy and procedures that clearly define the roles and responsibilities. **Management should include as part of the draft IGF, a policy or guidance that defines clear roles, responsibilities and implementation timeliness as well as key performance indicators to facilitate monitoring and evaluation.**

Construction of new IOM headquarters building

We noted, in this regard, that the Administration had opened a vacancy for the recruitment of a Project Director (Grade D1) with the sole responsibility for the entire management of the Project and the estimated amount of CHF 68.1 million was done without a prototype design for the new building to serve as a guide to the Organization in the determination of the estimated building cost. **Management should take the necessary steps to ensure timely recruitment of the Project Director and ensure the timely development of the prototype design for the new building. Furthermore, we would continue to provide independent assessment as part of our annual audit assurance of the Organization's operations to augment oversight activities on the implementation of the Project to enable the Organization take proactive measures to mitigate any potential operational or financial risk.**

Need to review ICT governance framework

Our review of IT Advisory Board's terms of reference as stipulated in IOM's ICT Strategy does not extend to cross-cutting ICT issues, such as fostering an enterprise-wide application to harmonized ICT tools, systems compatibility, as well as managing ICT investments and mitigation of IT risks. **In our view, considering priority for establishing fixed manual controls with the aid of automation, we urged Management to strengthen the ICT governance process, especially, in terms of management of business owners' initiatives on ICT solutions, using an enterprise-wide approach in achieving value across the Organization.**

PERFORMANCE AUDIT ON PROCUREMENT VALUE CHAIN EFFICIENCY AND EFFECTIVENESS

The objective of the audit was to determine and give assurance to management as whether the IOM instituted practices, procedures and internal controls has supported contracting and procurement activities and has ensured procurement and supply chain efficiency and effectiveness.

Procurement planning and need assessment for goods, works or service

We reviewed the Procurement Manual and found that procurement planning was not done consistently across projects and offices. Often procurement requirements are not based on needs assessment and there is no formal framework to institutionalise linking project development to procurement planning. We further noted that given the diversity of IOM's activities in size, nature and geographic locations, it is challenging for IOM to secure funding to engage adequate staff with the necessary skillset for all the offices. **To improve upon procurement planning, we recommended that IOM should ensure that issues of procurement plan should be assessed and Procurement and Supply Division (PSD) and its delocalized functions to be restructured to serve as a specialized unit in supply chain and value management.**

Agreeing list of potential vendors and vendor Management

Our review of the vendor database in Processes and Resources Integrated Systems Management (PRISM) showed that eight vendors out of 284 in Headquarter's (HQ's) vendor list have been black listed for various breaches of contract conditions within the audit period and this had not been captured on the PRISM. Also, we noted that the guide and Code of Conduct for Suppliers is not prescriptive enough to give guidance in the area of Vendor Management which, is critical to deliver and meet project objectives. As required by the Procurement Manual, every office maintains a vendor database in PRISM and this is not linked to the IOM Global Vendor database resulting in creation of multiple registration of vendors in PRISM. **Vendor management is an integral part of an effective procurement and value chain management to enhance value for money. We therefore recommended that Management should ensure that vendor information is reviewed and updated constantly. Also, Management should introduce a supply chain system solution that can interface with PRISM.**

Evaluation of contract performance, payments and documentation of procurement actions

Our review of the Vendor Evaluation Performance Form (VPEF) showed that the background of the evaluator which is a critical requirement to the evaluation process are not indicated on the Form. We further noted that the IOM Project Handbook does not prescribe the need to report on post project evaluation of procurement activities undertaken within the scope of a project. **Management should implement authorization of procurement and payment process-flows in PRISM using technology to leverage human time for efficiency of processing payments and conduct systematic review of vendor/contract performance at all IOM country offices including the Headquarters.**

AUDIT OF REGIONAL OFFICES AND COUNTRY OFFICES

Disaster Recovery and Business Continuity Planning

We observed that the Country Office (CO) Helsinki is yet to finalize its draft Business Continuity Plan (BCP) and did not also carry out yearly simulation exercises as provided under IN/88 for the ICT component of the BCP. **To ensure that the CO's information assets are properly safeguarded, we recommended that the BCP should be finalized, approved and implemented.**

Review of the Office's sustainability status

Our review of active projects in CO Warsaw showed that whilst one of the three active projects, would be ending by December 2018, the project activities as well as the budget allocations of the Office had been decreasing and there is not enough funding to cater for the core structure as well as other office supporting cost. **We therefore urged the Head of Office (HoO) to liaise with the IOM Regional Office in Brussels to exploit opportunities for funding and enhance project development activities as well as update the actual situation for the consideration of Management at IOM Headquarters.**

Need to update the Compliance Control Self-Assessment

We noted that CO Warsaw and Bucharest had not conducted a Compliance Control Self-Assessment (CCSA) review since March 2016 with some of the staff identified as risk owners separating from the Organization due to downsizing. **We urged the HoO to liaise with the Regional Office to update the CCSA in 2019 as scheduled and ensure significant control deficiencies are appropriately assigned to the risk owners.**

Need to establish procedures on fee based self-payer service

Our review at CO Warsaw showed that although, the Office had a novel mechanism to enhance resource mobilization, there are no documented procedures to ensure coherent corporate messages to potential clients and also give guidance to staff during engagement with non-government partners. **We recommended that the HoO should formulate documented procedures to give guidance to staff for use in the engagement process to avoid ad hoc approaches.**

Failure to set out technical specifications before procurement

We noted that technical specifications were not stated before procurement of goods for projects in CO Dakar neither did the Office examine samples before the procurement of caps, blankets, USB drives and a laptop. **We recommended that the Chief of Mission (CoM) should ensure that project managers collaborate with the procurement and logistics unit to forestall these procurement lapses.**

Governance

We noted that CO Bucharest does not have a strategic or action plan developed to establish a system for managing the Organization's priorities through an elaborate system for managing risk, monitoring implementation, evaluating performance and documenting lessons learnt. **We recommended that in view of the widening scope of service activities undertaken by CO Bucharest, the HoO should develop a strategic or action plan, using results-based management framework to serve as a planning, reporting and evaluation tool for the Office.**

VAT recoveries

We observed that CO Bujumbura has not been reimbursed with the VAT paid on goods and services amounting to BIF 127,712,392.00 over the last 10 months. Again, we noted that CO Rabat has not been reimbursed with VAT of 1,308,998.31 MAD paid on goods and services which have been accumulating since May 2017. **We recommended that Management should ensure that VAT recoveries are consistently filed within the stipulated time.**

Cases of fraud, presumptive fraud and write offs

We reviewed cases of frauds, presumptive frauds and write offs by Management and noted that the Administration reported 11 cases of fraud and 101 presumptive fraud in 2018. All of the cases were referred to OIG for investigation and a financial loss to IOM of USD 510,791.08 was reported. We are satisfied with the actions taken by Management in addressing the reported cases and all 11 fraud cases had been closed and 101 presumptive fraud are ongoing as at 31 December, 2018.

Conclusion

I wish to conclude by expressing our appreciation of the cooperation extended to us by the Director General, the Director Resources Management, the Chief of Accounting and her team, Chiefs of Missions, Office of the Inspector General and all other staff of the IOM during the course of the audit.

Our thanks also go to the Honourable Chair and the distinguished delegates for affording us the opportunity to present our findings before you.