

STANDING COMMITTEE ON PROGRAMMES AND FINANCE

Twenty-sixth Session

**STATEMENT OF THE EXTERNAL AUDITOR TO THE TWENTY-SIXTH SESSION
OF THE STANDING COMMITTEE ON PROGRAMMES AND FINANCE ON
THE FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION
FOR MIGRATION FOR THE 2019 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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FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION FOR
MIGRATION FOR THE 2019 FINANCIAL YEAR**

Honourable Chair, Distinguished delegates, Excellences

It is my privilege and honour to present to the Standing Committee on Programmes and Finance, this Statement containing highlights of my external audit report on the financial statements of International Organization for Migration for the period 1 January to 31 December, 2019.

We have concluded our audit of the Organization in accordance with the Financial Regulations and Rules of IOM for the 2016 financial year and have presented the final report on the audit, which contains significant audit findings and recommendations separately for submission to 111th Session of IOM Council.

We performed compliance audits of IOM offices in Accra, Ankara, Bamako, Belgrade, Berlin, Cox's Bazar, Manila and Sarajevo, and reviewed some operations at Headquarters and Manila Administrative Centre. We also carried out Performance Audit of IOM Medical Claims and validated the Financial Statements of the Organization for the financial year ended 31 December 2019.

Our findings after detailed discussions with the concerned Chief of Missions and managers, 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 2019. We placed an unqualified audit opinion on IOM's financial statements for the financial year ended 31 December 2019.

Financial matters

The overall budget for the year 2019 was USD 2,045.2 million for the Operational part and CHF 52.2 million for the Administrative part. During the year 2019, the total revenue was USD 2,127.1 million and the total expenditure was USD 2,096.3 million, leaving a surplus of USD 30.75 million. The key financial indicators of IOM for the year ended 31 December, 2019 were as follows:

- IOM recorded a surplus (before exchange rate difference) of USD 30.75 million during the year 2019, compared to a surplus of USD 18.24 million registered in 2018, an increase of USD 12.51 million or 68.6 per cent.

- IOM revenue showed an increase of USD 315.30 million over the 2018 amount of USD 1,811.77 million.
- Though due to increase in activities, most of the components of expenditure registered an increase in 2019 over the 2018 figures, the expenditure continued to remain within budget and revenue during 2019.

HEADQUARTERS AND MANILA ADMINISTRATIVE CENTRE

Long-term Investment

Our review of the Financial Management Report (FMR) as well as the Annual Financial Report (AFR) showed that, IOM had made a long-term investment of EUR 40,000,000 (equivalent USD 43,763,677) and USD 100,000,000 though the IOM Financial Regulations provided opportunity for short term investment. We also noted that Note 5 to the AFR presentation segregated the short-term investment as those with maturity period falling between 90 to 180 days & 180 to 365 days, whereas long term investment portfolio were those beyond 365 days maturity period. **We recommended that management should do further consultation on these investments to ensure that they meet the relevant provisions (Article 7) in the IOM Financial Regulations.**

Need for effective Asset management

Our review of asset records of ten selected Country Offices showed that some of the Offices were working hard to meet the requirement outlined in the Project Management Handbook and the Financial Management Rules and Procedure. However, there were still gaps that ought to be addressed to make the assets information complete in the PRISM system. **We urged management to expedite action to complete the gaps identified and take the requisite steps to eliminate all unserviceable assets from the registers for reliance to be placed on the records for informed decision making on assets under the control of the Offices.**

PERFORMANCE AUDIT ON PROCESSING HEALTH CLAIMS FOR REIMBURSEMENT

The objective of the audit was to determine how well the medical reimbursement system at IOM is delivering on its intended target and whether there is room for improvement.

We observed that the computer system's inability to allow multiple users to access PERN numbers at the same time slows down the processing time of medical claims. **To increase the number of medical claims processed by the HCPU per month, we recommended that, the Human Resources Management (HRM) should redefine the tasks of the two most experienced staff in HCPU-Manila from their current schedule to concentrate on evaluation of claims only, and train the two staff who open**

pouches and sort claims to work on the electronic claims submission when it is operationalised to help increase the number of processed claims per month.

Some staff of the Organization submitted poor quality claim information which adds up to delays in processing of medical claims. This may be due to poor appreciation of the HI/MSP guidelines for the health insurance claims by the staff. **To ensure staff provide adequate information to support and enhance claims processing we recommended that the HRM Division should devise means of consistently providing orientation for new members of IOM on the HI/MSP guidelines.**

The Head of HCPU does not have a deputy to handle that responsibility in the absence of the substantive head. **To facilitate staff motivation, improvements in accuracy and completeness of claims, we recommended that, management of IOM should design a formal structure for the HCPU to also take account of succession plan for the Unit to boost the morale of HCPU staff with regards to career progression.**

AUDIT OF REGIONAL AND COUNTRY OFFICES

Delayed delivery of items procured

We noted excessive delays in the delivery of goods procured for the implementation of projects in Cox's Bazar Office. In this regard, some items which were procured in 2018 and expected to be delivered in 2018 were not delivered until 2019 and in some cases the goods are yet to be delivered. **We recommended to management to sign short term contracts with vendors in Cox's Bazar and also urged management to be strict on vendors to ensure that goods procured were delivered on schedule.**

Need to recover the cost of lost items

We noted that, some items assigned to some staff of the Cox's Bazar Office were reported missing or stolen between the period January and September 2019. **We recommended to the Office to take appropriate measures to ensure that the costs of these items are recovered from the staff involved for possible replacement.**

Expenditure in excess of budget EUR 18,546

We noted from our review of project implementation that the Brussels Office overspent the budget of two of its projects by 19% and 28% respectively. **We recommended that Management should improve on its budget formulation process and supervision of projects to ensure that the Office avoid overspending project budgets.**

Project Management

Our review of active projects in PRISM showed that a total of USD 384,012.57 was overspent at the Accra Office on two Projects as compared with the funds received. **We recommended that Project managers should, in collaboration with the Resource Management Unit, monitor closely the project receivables and make sure to request funding tranches as per the donor agreement.**

Sustainability of staff

We observed that six out of the seven active projects under the Accra Office would end in 2020 whilst the remaining one ends in 2021. We also noted from our review of the Staff list that 45 Projectized staff have some dependency on projects that are ending in 2020. Similarly, the Bamako Country Office have 10 active projects, five of which will end in 2019 whilst the remaining five ends in 2020. **We recommended that Management of the Offices should re-strategize and harness expertise from the Regional Office to come up with projects that can secure funding to enhance sustainability of their respective Offices in the contest of projectization.**

Risk Management

Our assessment of activities and processes at the Bamako Office indicated that although the Office took action to mitigate control risks identified, there were no records of risk analysis with related risk matrix as a management tool. The Office has not conducted a formal review of activities to identify the associated risks so that they can be assessed in an effective and coordinated manner to elicit the appropriate mitigating control. **We recommended that the CoM should establish effective risk management process in compliance with IN213 and ensure systematic identification and documentation of significant risk and put in place the necessary controls to mitigate them.**

Vendor Management and Evaluation

Our review of the procurement process at the Manila Office disclosed that, Vendor Evaluation was not done because of reliance on Global Procurement Services (GPS) approved vendor list. We also noted that the Office does not have long term contract agreements though repeated purchases were made from the same vendors. **We recommended that the CoM should work progressively towards securing long-term agreements with reliable suppliers to contribute to effective delivery of projects driven mostly by emergencies.**

Procurement Planning

We noted from our review that the Sarajevo Office procurement activities were not supported by annual procurement plans to provide guidance regarding the development of expected deliverables in the execution of procurement activities. **We encouraged Management to prepare annual procurement plans to support Office's approved work plan with a view to properly aligning the work plan activities with the approved budget.**

Data Backup off IOM Premises

We noted that the aspects of IN/88, that require Offices to have a safe location off-premises to store monthly and yearly backups on cartridges to protect data/information against potential disasters, have not been complied with by the Sarajevo Office. **We recommended to Management to have a data backup storage at a safe location off-premises to allow for easy retrieval of backup media to minimize the incidence of complete loss of data and undue delay in system restoration.**

High staff attrition

We noted from our review of the personal records that a total of 134 staff separated from the Ankara Office between January 2018 and September 2019 to seek greener pastures in Embassies and other institutions. **We recommended that management should continue engaging with the Headquarters to find a permanent solution to the high staff turnover.**

Lapse of allocated funds for Labour Migration – GBP 118,000

We noted that the Ankara Office was unable to utilize all the funds available under the Labour Migration Project in Gazientep for the implementation period. **We recommended effective cooperation between IOM Turkey and Headquarters to streamline the approval processes to aid speedy resolution of all contractual issues with Donors. Management of the Office should also prioritize projects of similar nature to avoid refunds to the Donors.**

Delay in submission of Donor reports

We noted from our review of implementations that the Ankara Office delayed in the submission of 44 out of 121 donor reports due between September 2018 and September 2019. **We recommended to Management to improve coordination between the Office and Regional Office and assist Project Managers to ensure timely resolution of outstanding issues with implementing Partners.**

Cases of fraud, presumptive fraud and write offs

The Administration reported 160 cases of fraud and 84 presumptive fraud in 2019. All of the cases were referred to OIG for investigation and a financial loss to IOM of USD 30,278 was reported. We are satisfied with the actions taken by Management in addressing the reported cases. All the 160 fraud cases have been closed whilst work on the 84 presumptive fraud were ongoing as at 31 December, 2019.

Conclusion

I wish to conclude by expressing by my sincere appreciation to 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 for their cooperation with the audit teams 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 to you. Thank you.