

**STANDING COMMITTEE ON PROGRAMMES AND FINANCE**

**Twenty-eighth Session**

**STATEMENT OF THE EXTERNAL AUDITOR TO THE TWENTY-EIGHTH SESSION  
OF THE STANDING COMMITTEE ON PROGRAMMES AND FINANCE ON THE  
FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION FOR  
MIGRATION FOR THE 2020 FINANCIAL YEAR**

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\* 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 (IOM) for the 2020 financial year.

The Auditor General of Ghana was appointed the External Auditor of IOM by Council at its 106th Session and the mandate was renewed by Council at its 109th Session for the 2019, 2020 and 2021 financial years.

We presented our first Audit Report on IOM's financial statements for the year 2016 at the Committee's Twentieth Session in 2017. We have concluded our fifth audit of the Organization in accordance with the Financial Regulations and Rules of IOM for the 2020 financial year. The final report on the audit, which contains significant audit findings and recommendations, has been presented separately for submission to 112th Session of IOM Council.

We performed compliance audits of IOM offices in Afghanistan, Central African Republic, Costa Rica, Iraq, Mozambique, Myanmar, Niger, Pakistan, South Sudan, and Yemen and reviewed some operations at Headquarters and Manila Administrative Centre. We also carried out Performance Audit of IOM Accounts Receivable and validated the Financial Statements of the Organization for the financial year ended 31 December 2020.

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 2020. We have placed an unqualified audit opinion on IOM's financial statements for the financial year ended 31 December 2020.

**Financial matters**

The overall budget for the year 2020 was USD 1,940.10 million for the Operational Part and CHF 52.24 million for the Administrative Part. During the year 2020, the total revenue was USD 2,182.69 million and the total expenditure was USD 2,178.04 million, leaving a surplus of USD 4.65 million. The key financial indicators of IOM for the year ended 31 December 2020 were as follows:

IOM recorded a surplus (before exchange rate difference) of USD 4.65 million during the year 2020, compared to a surplus of USD 31.58 million registered in 2019, a decrease of USD 26.93 million or 85 per cent.

IOM revenue showed a marginal increase from what was received during the 2019 financial year.

Though due to increase in activities, most of the components of expenditure registered an increase in 2020 over the 2019 figures, the Administrative expenditure continued to remain within budget whereas the Operational expenditure exceeded budget during 2020.

## HEADQUARTERS AND MANILA ADMINISTRATIVE CENTRE

### **Need to align Organization theoretical real growth in core structure budget**

We conducted an analytical growth ratio of the Organization's total core budget to total annual expenditure on an annual basis and noted that a steady downward trajectory of core funding ratio despite the continuous upsurge of the Organization activities. **Management should continue to liaise with the Member States for modest and realistic increases of the core funding structure in a manner which ensured prudent allocation of resources to facilitate the Organization's effort of prioritization and efficiency enhancement.**

### **Internal Governance Framework Initiative**

We noted that the IGF initiative bears inherent risk such as untimely completion of planned activities, delays in the procurement of vendors to provide timely completion of their services and lack of predictable funds to implement recommendations. **Management may develop a standard reporting mechanism in line with the workplan structure to provide clarity in the coordination as well as the implementation. Management could also liaise with Member States to secure predictable funding through provision of unearmarked funding and extra budgetary resource initiatives.**

### **Enhancement of cybersecurity threat management**

We noted that intrusion into IOM's data systems and network was rated very high and global information security breaches were reported both in frequency and sophistication, some of which were experienced by the Secretariat. **Management may consider providing additional tools and staff resources to establish a significantly enhanced capacity to monitor the ICT environment for attempted and successful information security breaches. IOM's ICT Infrastructure should be improved to enable tighter access control and a more robust management of the ICT infrastructure to reduce its vulnerability to intrusion.**

### **Absence of defined criteria for unrated counterparties**

Our analysis of the Counterparty Risk Results revealed that 40 banks or financial institutions were without counterparty ratings as compared to 60 in 2019. Also, despite

the reduction of unrated banks, we noted that banks without estimated cash balance between US\$200,000 and US\$5,000,000 had a marginal increase in 2020. **We recommended that Management should develop a formal counterparty credit risk exposure limits for unrated banks or financial institutions to guide offices in the management and monitoring of cash balances against allowable limits.**

#### **Review of Suspense Accounts**

Our review of the FMR revealed that as at 30 September 2020, the suspense accounts showed an outstanding total credit balance of USD 321,440.74 (credit balance of USD 320,894.89 as at the end November 2020) pending to be cleared and recorded in project accounts. **We recommended that IOM Management should ensure that RAS streamline its procedures on month end reconciliations and reviews on IOM offices to properly allocate transactions to the designated revenue or expenses to aid in timely financial management or donor reporting.**

### **PERFORMANCE AUDIT ON THE MANAGEMENT OF ACCOUNTS RECEIVABLE BY IOM**

The audit focused on IOM's voluntary contributions from 2017 to 2020 and examined the AR functions of identifying donors and signing agreements; building Donor relationship; recognising, monitoring and following up of receivables. The objective was to determine the reasons for overdue receivables and to propose ways to improve early collection.

#### **Delays from Donors' internal systems**

Many donors paid beyond the 30-day period expected by IOM due to the bureaucracy in donor's internal payment system.

#### **Many Agreements with donors do not conform with IOM template**

#### **Donors fail to provide project codes when making payments to IOM**

This made it difficult for Manila Financial Services to match payment received to the specific project account.

#### **Main responsibility for collection of receivables limited to Project Managers**

Much of the actions for ensuring payments were the responsibility of the Project Managers without much support.

#### **Final reports on which last payments are made delay**

Some of the receivables delayed because of the finalization of the project accounts. Donors also contributed to the delays when reviewing the project report sent to them from IOM.

We recommended that:

- Set performance targets for staff working in the AR function according to their schedules.
- Renegotiate new payment terms with donor when original agreement is not respected.
- Design forms which have the project code already incorporated for donors to fill when making payment.
- Support Project Managers with training on relationship building and contract management to improve their ability to positively affect the collection of unpaid debts from donors.
- The Offices should give ultimatums to implementing partners for their project reports to enable the Offices start the development of the project report early.

## **AUDIT OF REGIONAL OFFICE AND COUNTRY OFFICES**

### **Renewal of MoU with Interim Administration of Afghanistan**

We noted that the IOM Afghanistan Office is operating under an outdated Memorandum of Understanding (MoU) signed with the Interim Administration of Afghanistan which does not give recognition and privileges in line with United Nations Convention of 21 November 1947. **We urged Management to liaise with the Office of Legal Affairs (LEG) at IOM Headquarters with the view to resolve these challenges to enable IOM Afghanistan enjoy equal rights and privileges as their counterparts in the UN Family.**

### **Outstanding staff vendor account**

At Niger CO, our review of 26 sampled staff vendor accounts in SAP PRISM disclosed that, there were staff advances totaling USD 204,071.13, which have been outstanding for periods ranging between 60 and over 120 days. **We recommended that Management of the Office should ensure timely retirement of advances by staff in compliance with the PRISM HR operation procedures.**

### **Sustainability of the Country Office**

We observed during our audit of South Sudan Country Office that, out of the 28 projects handled by the Office, 20 technically ended in 2020, six projects will end in 2021, whilst one each ends in 2022 and 2023. **We recommended that Management should re-strategize and harness the expertise of the project managers to come up with projects that can secure funding to enhance sustainability of the Country Office in the contest of projectization.**

### **Enhance the process for assessing controls and managing risks**

Although the Iraq Office takes action to mitigate control risks, these were not recorded in the Compliance Control Self-Assessment (CCSA) performance management

dashboard. We noted that the Office started to document its risk assessment in October 2020, however our review of the CCSA showed that delivery dates were not provided for action plan identified to close the control gap. **We recommended that Management should update the CCSA and ensure that significant control actions are appropriately assigned with delivery dates and monitored for compliance.**

#### **ICT Disaster Recovery/Business Continuity Plan**

We observed that the Business Continuity Plan (BCP) of Central African Republic CO was in draft at the time of the audit in October 2020, indicating that the Office has for the past three years been operating without an approved disaster recovery and business continuity plan. **We recommended that the BCP should be updated to include the ICT component, finalized for use, and regularly updated to comply with all the requirements of IN/88.**

#### **Improving Gender balance**

We noted that the Central African Republic CO has only 18 female staff members, representing 14 per cent of the total staff of 125 at the Office, for both International and National staff. **We recommended that Management should place premium on the recruitment of qualified female staff by endeavouring to attract more female staff to improve the gender imbalance situation to maintain and enhance IOM's image as a desirable employer poised to attract and retain the best workforce.**

#### **Cases of fraud, presumptive fraud and write offs**

We reviewed cases of frauds, presumptive frauds and Management approved write offs and noted that the Administration reported that 263 fraud cases were closed in 2020 (including substantiated and unsubstantiated cases), while 83 presumptive fraud cases were still open as at 31 December 2020. All of the cases were referred to OIG for investigation. Eighty of the cases that were closed were substantiated by OIG and referred to the Office of Legal Affairs for further processing and a financial loss to IOM of USD 241,111 was reported. We are satisfied with the actions taken by Management in addressing the reported cases.

#### **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.