

STANDING COMMITTEE ON PROGRAMMES AND FINANCE

Thirtieth Session

**STATEMENT OF THE EXTERNAL AUDITOR TO THE THIRTIETH SESSION
OF THE STANDING COMMITTEE ON PROGRAMMES AND FINANCE ON THE
FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION FOR
MIGRATION FOR THE 2021 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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FOR MIGRATION FOR THE 2021 FINANCIAL YEAR**

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 2021 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 sixth audit of the Organization in accordance with the Financial Regulations and Rules of IOM for the 2021 financial year. The final report on the audit, which contains significant audit findings and recommendations, had been presented separately for submission to 113th Session of IOM Council.

We performed compliance audits of IOM offices in Brazil, Chad, DR Congo, Ecuador, El Salvador, Greece, Mexico, Sri Lanka, Sudan and Viet Nam and reviewed some operations at Headquarters and Manila Administrative Centre. We also carried out Performance Audit on Processing Pension Claim Documents by the HR Offices of IOM and validated the Financial Statements of the Organization for the financial year ended 31 December 2021.

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 2021. We have placed an unqualified audit opinion on IOM's financial statements for the financial year ended 31 December 2021.

Financial matters

The overall budget for the year 2021 was USD 2,313.95 million for the Operational Part and CHF 53.19 million for the Administrative Part. During the year 2021, the total revenue was USD 2,549.48 million, and the total expenditure of USD 2,532.10 million, resulting in a surplus of USD 17.38 million. The key financial indicators of IOM for the year ended 31 December 2021 were as follows:

IOM recorded a surplus (before exchange rate difference) of USD 17.38 million during the year 2021, compared to a surplus of USD 5.62 million registered in 2020, an increase of USD 11.76 million or 209 per cent.

IOM revenue showed an increasing trend during the last five years from 2017 to 2021.

Though due to increase in activities, most of the components of expenditure registered an increase in 2021 over the 2020 figures, the expenditure continued to remain within budget and revenue during 2021.

IOM continues to experience significant growth across all regions and programme areas and our audit work exposes the inherent risks of the inadequate core structures of the Organization which represents just about 4 percent of the total expenditures in 2021 to the Administration. With the Budget Reform discussions ongoing over the last couple of years, we urge Member States to take immediate or strategic actions to augment the current core funding structure in light of the continuous growth of the operational activities. We are of the view that a strengthened core structure will enhance the Organization's efforts to meet the increased expectations of beneficiaries, Member States, donors and other stakeholders.

HEADQUARTERS AND MANILA ADMINISTRATIVE CENTRE

Need to conduct external assessment of OIG

We noted that the Internal Governance Framework (IGF) does not include a holistic review of OIG functions in strengthening and adopting fit for purpose internal governance system in fraud prevention and risk management. **We recommended that Management should consider the need to conduct an external assessment of the OIG functions to improve IOM internal oversight functions and strengthen its core structures as well as design it to better deliver support to the entire Organization.**

Sustainability of funding the IGF initiative

We observed that the Organization is limited in its ability to redirect core resources to the IGF reform agenda due to IOM's projectized model. We envisaged that without secured and available funding for these reforms, IOM had to take a slower implementation approach for the Business Transformation Initiative. **We urged Management to continue to dialogue with Member States and other donors to attract additional financial resources to fully realize the reform agenda.**

Need to review IOM data protection guidelines

The Organization's Data Protection Manual had not been updated to mitigate concerns regarding risks associated with handling and processing of institutional data, particularly in the light of current fragmented regulatory landscape on data privacy and technological advancement. **We recommended the provision of the required resources and the adoption of a coordinated approach to create and implement processes that support data privacy and protection and also update IOM Data Protection Manual.**

Cybersecurity management

Our evaluation of IOM's cybersecurity management indicated that it was still at the lowest grade and not compliant with International Organization for Standardization and International Electrotechnical Commission's (ISO/IEC 27001) standard on information security management systems, to provide robust information security management action against future cybersecurity risks. **We recommended that the Organization should adopt a comprehensive cross-cutting cybersecurity management and allocate resources to contribute to attaining the desired level of information security protection.**

Good practice identified in the use of the FinCoorP

Our follow up on the implementation of the FinCoorP revealed that the system had improved management of financial inquiry from staff across the Organization. **We urged Management to continue to explore opportunities to leverage on FinCoorP as well as continuously improve the system which would enable IOM to move from reactive financial control to system-integrated, proactive and more efficient monitoring practices.**

PERFORMANCE AUDIT ON PROCESSING PENSION CLAIM DOCUMENTS BY THE HR OFFICES OF IOM

The audit was on the Pension Management Unit at Manila Administrative Centre from 2018 to 2021 and focused on the processing of pension claims for separated staff and beneficiaries of IOM. The purpose of was to assess the performance of the Pension Unit of IOM in the management of pensions and provide recommendations for improvement where there were deficiencies.

In spite of strategies put in place by IOM Pension Administration Unit (IPAU) aimed at reducing claim processing time and improve data integrity, we noted the following:

- Delays in processing of pension document caused by the submission of inaccurate/incomplete financial data by the participants' respective office;
- Inaccurate biodata of members in the system;
- UNJSPF members do not take advantage of the Pension Annual statement available to them to check for both bio and financial data whilst in service;
- Some IOM HR units are not able to complete and exit payroll by 20th of each month
- Separated staff delayed in communicating with IOM Pension Unit to ensure prompt receipt of feedback for early processing of claims

We recommended the following actions for implementation:

- Require from staff working in the HR Offices of IOM to as part of submitting contract confirmation of UNJSPF eligibility, submit update of bio data on members, and implement applicable pensionable remuneration rates effectively and confirm exit of payrolls in a timely manner.

- Educate members to take keen interest in examining their annual contribution statement to check the accuracy of contributions as well as their bio details and report any anomaly to the IPAU through the HR units.
- IPAU should employ other means such as direct telephone call to the separated staff or liaise with the HR unit of the separated staff to get the separated staff to complete the pension payment instructions.

AUDIT OF REGIONAL OFFICE AND COUNTRY OFFICES

ICT Disaster Recovery and Business Continuity Plan

We noted that IOM Brazil Office did not carry out yearly simulation exercises as prescribed by IN/88 for the ICT component of the Business Continuity Plan (BCP), thereby putting the Office at risk of non-recovering systems in the event of a disaster. **We recommended that Management should regularly update the BCP to include simulation procedures and conduct yearly simulation drills for the ICT component of the BCP.**

Outstanding staff vendor amounts

We noted that 14 staff of the Chad Office who were granted advances had a total of USD 47,844.07 standing in their names, with the age of the outstanding debts ranging between 61 and 120 days. **We recommended to Management to introduce control mechanisms that ensures that advances to employees are retired within five days after the end of the activity in respect of which the amounts were advanced.**

Unspent projects funds on closed projects

We noted at the Congo and El Salvador Offices that some closed projects of the Office recorded low burn rates resulting in unspent project funds of USD 292,917.98 and USD 534,939.91 respectively. **We recommended that the CoM and the Resource Manager should undertake reviews of these projects and monitor them to avoid low burn rates and also explore the option of rollover of funds at the inception of the project negotiations to enable the Office make a formal request for the rollover of funds on closed projects.**

Review of accounts payable

We noted from our review of the Greece Office Accounts Payable Ageing Report that out of the total amount of USD 17,283,039.42, an amount of USD 2,923,445.30 represented older payables between 31 days and over 121 days. **We recommended that the CoM should monitor and follow up on outstanding payables with the Greek Authorities to ensure recovery of the VAT amount.**

Overdue voluntary contribution receivable

We noted that as at 30 September 2021, the Greece Office had voluntary contributions receivable totalling USD 9,025,386.78 outstanding beyond 121 days. **We recommended that the CoM should continue to follow up on the donors and ensure that all outstanding clarifications to resolve the final report are carried out so as to liquidate outstanding receivables to facilitate implementation of project activities.**

Staff sustainability

We noted that 226 staff were handling 27 projects in 2020/2021 at the Mexico Office, but the number of projects will reduce by about half of the numbers from 2022 onwards. **We recommended to management to consider the sustainability issues thoroughly and endeavour to identify new donors to finance activities of the Office so as to keep trained and experienced staff to support the needs of migrants.**

Cases of fraud and presumptive fraud

We reviewed cases of frauds, presumptive frauds and write offs by Management and noted that the Administration reported on closing 165 cases of substantiated and unsubstantiated fraud in 2021, while 71 presumptive fraud cases were still ongoing as at 31 December, 2021. All the cases were referred to OIG for investigation. 47 cases were substantiated and referred to the Office of Legal Affairs for further processing and a financial loss to IOM of USD 33,868.74 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, Department of 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.