

STANDING COMMITTEE ON PROGRAMMES AND FINANCE

Thirty-second Session

**STATEMENT OF THE EXTERNAL AUDITOR TO THE THIRTY-SECOND SESSION
OF THE STANDING COMMITTEE ON PROGRAMMES AND FINANCE ON THE
FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION FOR
MIGRATION FOR THE 2022 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 2022 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 2022 financial year.

The Auditor General of Ghana was appointed the External Auditor of IOM by Council at its 106th Session. The mandate was renewed by Council at its 109th Session and again renewed at its 112th Session for the 2022, 2023 and 2024 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 seventh audit of the Organization in accordance with the Financial Regulations and Rules of IOM for the 2022 financial year. The final report on the audit, which contains significant audit findings and recommendations, had been presented separately for submission to 114th Session of IOM Council.

We performed compliance audits of IOM offices in Algeria, Argentina, Australia, Burkina Faso, Guatemala, Guinea, Honduras, Kosovo, Malaysia, Micronesia and Spain and reviewed some operations at Headquarters and Manila Administrative Centre. We also carried out Performance Audit on IOM Field Payroll Operations and validated the Financial Statements of the Organization for the financial year ended 31 December 2022.

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 2022. We have placed an unqualified audit opinion on IOM's financial statements for the financial year ended 31 December 2022.

Financial matters

The overall budget for the year 2022 was USD 2,944.06 million for the Operational Part and CHF 53.59 million for the Administrative Part. During the year 2022, the total revenue was USD 2,985.72 million as against a total expenditure of USD 2,922.82 million, leaving a surplus of USD 62.90 million. The key financial indicators of IOM for the year ended 31 December 2022 were as follows:

IOM ended 2022 with revenue exceeding expenses by USD 62.9 million which reduced to USD 17.4 million after taking into account exchange rate differences.

IOM revenue showed an increasing trend during the last five years from 2108 to 2022.

Though due to increase in activities, most of the components of expenditure registered an increase in 2022 over the 2021 figures, the expenditure continued to remain within budget and revenue during 2022.

HEADQUARTERS AND MANILA ADMINISTRATIVE CENTRE

Construction of Headquarters Building

We noted the absence of a Project manual to outline the required coordination in respect of construction change management framework, specifications, delegation of procurement authority, solicitation and procurement process and funding mechanism to ensure adherence to IOM policies and Host State local building regulations as well as serve as a reference guide for evaluation of the overall construction project. **We recommended that Management should consider the finalisation of the Headquarters Building Manual to give clarity to the procedures for delivering the Project and the change management approach necessary for the sustainability of the building to serve as a reference to guide internal coordination, approval of transactions, decision making and adherence to local building regulations.**

Review of the Internal Governance Framework initiative

Considering the enormous achievement or completion of work items under the Internal Governance Framework (IGF), we are of the view that there should have been clear documentation to commence review of IOM field offices (regional and country offices) and functional roles of Resource Management Officers (RMOs) to ensure effective coordination and alignment with the ongoing reform initiatives. **We recommended that Management should as part of the ongoing IGF work items, conduct business impact assessment and initiate review of the regional and country offices architecture as well as RMO functional working relationship to give clarifications, eliminate overlaps and mitigate resistance associated with change process.**

Business Transformation

We reviewed the progress made under the Business Transformation (BT) and noted the need for the Organization to have greater focus on business readiness for system design and approval for configurations, accountability of the heads of business units, determination of achievable plans with timelines and the need to have sufficient contingency for risk mitigation during the transition and rollout phases. **We recommended the Organization strengthen its ability to reduce the risk of expensive retrofitting post-implementation, realignment of roles, responsibility and accountability functions, improvement of human resources staffing levels and salary grade as well as improve its internal coordination and communication across all levels of the Organization on the progress on the transformation.**

Need to review the OIG architecture

We observed that the continuous maintenance of the existing OIG architecture in the wake of IOM's transformation initiatives could negatively affect its ability to effectively perform the desired oversight and advisory functions. Besides, considering the investment being made under the IGF initiative to improve the internal control framework, there would be a need for OIG to continue to provide more enhanced independent assurance on value for money audits on key business operations or thematic functions including support services and programmatic activities in a proactive manner. **We recommended that OIG and IOM Senior Management should initiate an assessment of the current OIG architecture and establish an architecture that is fit for purpose for the third line independent oversight to properly exercise its mandate as articulated in the OIG revised Charter.**

Non-compliance with global cybersecurity standard

Our review of IOM offices compliance with the global cybersecurity levels showed that most of the offices are at the basic level despite the Organization's proactive and efficient ICT transition under the IGF initiative and implementation of the ICT Strategy. **We recommended that Management should ensure that IOM field offices make conscious efforts to meet the Organization's desired secure and robust technology ecosystem by including adequate budget provision to operate with the required staff level and replace obsolete ICT infrastructure depending on its operational context.**

PERFORMANCE AUDIT OF IOM FIELD OFFICE PAYROLL OPERATIONS

The audit was to give assurance to management of IOM on whether the existing field payroll operations were delivering emoluments in right amounts and on time to legitimate local staff using minimum resources and that there are sufficient controls to ensure the efficiency, effectiveness and integrity of the field payroll system.

We noted that **there was no quality assurance as well as monitoring and evaluation functionalities at Headquarters to monitor and evaluate the performance of the local payroll system at the Country Offices.**

We also observed that the Country Offices employed extra resources (in terms of time, labour, and software) at a significant cost to IOM which rendered the field payroll operations cost inefficient. To enhance the efficiency of the decentralised payroll system, the existing PRISM payroll model needs to be fully automated by re-configuration to process all country-specific payroll requirements. **Our enquiries showed that re-configuring PRISM would cost IOM about USD 75,000 per Country Office and about USD 11.6 million globally.**

Recommendations

Based on our conclusions, we made the following recommendations:

- The Director General may consider directing the appropriate Departments to put in place measures to provide adequate institutional oversight on the Global Payroll System as management was in the process of establishing a Centralised Global Payroll to enhance the payroll system.
- Management should pursue the intended Centralised Global Payroll System approach, but with the assurance that a standard or uniform USRR and CSA across all the host countries is secured, and a fully automated payroll software that will be flexible enough to perform all required payroll and related transactions will be established to avoid the huge cost of re-configuring the PRISM payroll model.

AUDIT OF COUNTRY OFFICES

Unfilled vacancies

Our review of the organizational chart of the Kosovo Office showed 43 vacant positions including that of the Resource Management Officer out the 92 positions. We also noted that the staff responsible for Human Resource doubles as the Information Technology officer, whilst the Chief of Mission is listed in PRISM as one of the Project Managers. **We recommended to the Chief of Mission to ensure that the relevant vacancies such as RMO, IT etc. are filled as early as practicable so the efforts of the staff who are performing these functions become complementary.**

Lack of legal status

We noted that the Government of Malaysia had not officially recognised the legal status of IOM in the country, despite exchange of letters in 1984 and 1986, but granted the Office an Observer status in 2020. **We recommended the Chief of Mission should continue to liaise with the Head of IOM Regional Office in Bangkok and the Director-General to pursue the issue of having the Government of Malaysia formalize the legal status of the Office, including provision of full privileges and immunities.**

Outstanding ledger reconciliations

Our review of Vendor Register at the Honduras Office revealed that 120 transactions totaling \$460,709.00 were not followed up for settlements or adjusted as at December 2022. **We recommended that efforts should be made to investigate all 120 transactions for necessary entries and updates.**

Need for a formalized strategic plan for Honduras Mission

We noted that the Honduras Office did not leverage on the Regional Strategy (2020-2024) for North America, Central America and the Caribbean to develop a plan for implementing its priorities on sustainable migration. **We recommended that the Chief of Mission should constitute a team to draft the plan for review and approval.**

Sustainability of staff

Our analysis of project records showed that the Algeria and Guinea Offices does not currently have enough projects to guarantee the paychecks of their staff and if nothing is done to increase the number of projects in 2023 and beyond, the appointment of trained and experienced staff may have to be terminated and the Offices may not be able to effectively reach out to the increasing migrants who need support. **We recommended to the Management of Algeria to re-strategize on how to harness the expertise from the Regional Office to secure funding for projects to enhance sustainability of the Office in order not to lose well-trained officers to other missions. We also urged the CoM of Guinea to step up engagements with the donor community and other stakeholders to attract funding for its operations.**

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 172 cases of substantiated and unsubstantiated fraud in 2022, while 117 presumptive fraud cases were still ongoing as at 31 December, 2022. All the cases were referred to OIG for investigation. 15 cases were substantiated and referred to the Office of Legal Affairs for further processing and a financial loss to IOM of USD 168,821.26 was reported. We are satisfied with the actions taken by Management in addressing the reported cases. We are however, concerned with the increase in the number of cases of fraud and presumptive fraud. **We therefore recommended that Management should strengthen the internal control framework, compliance requirements and accountability measures under the IGF initiative.**

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 IOM during the course of the audit.

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