

**STANDING COMMITTEE ON PROGRAMMES AND FINANCE**

**Thirty-third Session**

**REPORT OF THE IOM AUDIT AND OVERSIGHT ADVISORY COMMITTEE**

**ACTIVITIES FROM SEPTEMBER 2022 TO AUGUST 2023**



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### **Summary of observations**

1. In its third year in office in its current composition, the Audit and Oversight Advisory Committee continues to advise on oversight matters relating to IOM's operations, strategies and challenges through in-depth discussions with senior management and relevant functions within the Organization. As per its mandate, it has reviewed and provided insights on broader aspects of good governance: risk management, internal controls, internal audit, ethics, organizational structure, and financial and non-financial processes.
2. The Committee covered various thematic areas during the reporting period, making recommendations to the Director General on possible improvements where applicable.
3. Communication with IOM senior management was open, constructive and informative.

### **Committee membership**

4. There were no changes in the Committee's composition during the reporting period. The Chairperson and Vice-Chairperson roles are rotated on an annual basis; the current holders of the positions were appointed in February 2023 and took office in March 2023. The Committee members are as follows:

- Silke Waterstraat (Germany/Switzerland), Chairperson
- Amiri Abdallah (Uganda), Vice-Chairperson
- Gerardo Carstens (Mexico)
- Jorge da Silva (Brazil)
- Ayesha Siddiq (Pakistan)

### **Committee meetings and activities**

5. During the reporting period, the Committee held several meetings with IOM senior management and other relevant staff members and actors, as well as internal Committee meetings, both in person and virtually. The Committee met with:
  - The Director General and IOM senior management on three occasions, specifically on 21 and 22 November 2022, 20 and 21 April 2023, and 3 and 4 July 2023;
  - The Head of Internal Audit and her team for a virtual meeting on 12 December 2022;
  - The External Auditor on three occasions: virtually in December 2022, at Headquarters in April 2023 and virtually in July 2023.
6. The Committee mapped its work against its annual 2022 workplan and developed an annual workplan for 2023 to ensure sufficient and timely coverage of the areas included in its terms of reference.

### **Office of the Inspector General**

7. Discussions took place with the Inspector General, the Inspector General ad interim and their direct reports in relation to both functions of the Office, namely internal audit and investigation.

8. During the discussions, a proposal was considered, which included an increase to the internal audit budget for additional resources, a review of the grading and geographical locations of staff positions, and a budget for hiring consultants. The Committee welcomed the proposal, which it also discussed with the External Auditor.

9. The Committee reviewed and provided input on the vacancy notices for the Inspector General and Deputy Inspector General positions.

10. In the light of the increasing caseload of investigations, the Committee recommended a cross-functional approach towards mitigation strategies for misconduct.

### ***Internal audit***

11. The Head of Internal Audit and the Inspector General ad interim provided the Committee with regular quarterly updates on the audit plan, assurance and advisory engagements, implementation of audit recommendations and emerging topics that may impact the activities of the Organization.

12. The Committee reviewed and provided advice on the 2023 risk-based annual audit plan, in particular in relation to further increasing advisory-related engagements, after which it was recommended to the Director General for approval.

13. The 2023 annual plan is on track, with adjustments made to allow for two previously unplanned emergent high-risk country audits.

14. In line with the 2023 annual plan, a cybersecurity audit was performed by an external audit firm. Audit findings showed that IOM has a strong cybersecurity posture compared to its peers, although certain challenges remain. The Committee will continue discussions on this topic with responsible internal functions and will also meet the external audit firm.

15. For the 2024 annual plan, the Committee supported the idea of linking the annual plan with budget-related planning and decisions.

16. The Committee followed up on key observations and the implementation of recommendations from the external quality assessment of the internal audit function.

17. The Committee recommends that the internal audit function continue the upskilling of its team in terms of IT/digitization, for example by further strengthening collaboration with the Department of Information and Communications Technology or potentially planning for dedicated IT internal auditors within the team.

### ***Investigation***

18. The Inspector General ad interim, Chief of Investigations and Head of Intake kept the Committee abreast of IOM's ongoing caseload of investigations through the quarterly statistics report.

19. With the number of cases increasing, the Committee welcomed the hiring of new, experienced staff, and the investigation function's continuous commitment to training, contributions to prevention and acknowledgement of the importance of a multifunctional response to misconduct and institutional learning.

## **Risk management**

20. The Committee supports the vision and plans of the Chief Risk Officer to embed risk management into IOM's operations and decision-making processes, including the strategy to gradually operationalize risk management in the field as part of the implementation of the new risk management framework and policy, for example, through training for Chiefs of Mission and Resource Management Officers.

21. The Committee received regular updates on the annual risk workplan and supports the continued collaboration between the Risk Management Unit and the Office of the Inspector General, on relevant matters, such as the finalization of an anti-fraud policy and manual and the annual planning cycle of the internal audit function.

22. The Committee supports the continuous involvement of the Risk Management Unit in the Business Transformation project to contribute to enhancing the control environment in various areas.

23. The Committee recommended that the Chief Risk Officer conduct a risk assessment on IOM's overall financial reporting process as part of its annual workplan.

24. The Committee expressed concern at the proposed rotation of the Chief Risk Officer. The current incumbent has been in the function since January 2022. Given the criticality of the role in the context of the many key initiatives being undertaken across the Organization, it encouraged continuity.

25. The continued involvement and support of the Director General and senior management in enhancing the risk management practices of the Organization will contribute to addressing the improvements needed in this area.

## **Strategic planning and organizational performance**

26. The Committee was regularly updated on the implementation of the Internal Governance Framework, the aim of which is to create a coherent policy landscape with a fully updated set of documents and procedures with relevant delegation of authority, references, etc.

27. The Committee welcomed that the internal audit function is participating in meetings of the Internal Governance Framework Steering Committee as observers to further build on its existing advisory services and assurance reviews of audit findings while at the same time ensuring the independence of the function.

28. The Committee followed the progress of the Business Transformation initiative, holding regular meetings with the Director of the initiative and their team, and with the Director of the Department of Strategic Planning and Organizational Performance. The Committee has been closely following the enterprise resource planning system project and will continue to monitor its upcoming roll-out.

29. The Committee received verbal reports of the preliminary findings and recommendations of the assessments by the Multilateral Organisation Performance Assessment Network (MOPAN) and United Kingdom Foreign, Commonwealth and Development Office, which pointed to a very positive and encouraging reform process within IOM. The final reports of these assessments will be shared with the Committee once they are finalized.

## **Finance**

30. The Committee appreciated the discussions held with the Comptroller on previous internal audit recommendations, collaboration with the External Auditor, the budgeting process and the involvement of the Department of Financial and Administrative Management in the Business Transformation project, and the significant changes in terms of enhanced operational efficiency and accuracy and controls. In this context, the Committee also discussed the current status of development of a financial control framework and the plans for the implementation of a results-based budgeting approach.

31. It has been agreed that meetings with the Comptroller will be a recurring item on the Committee's agenda.

32. These meetings will enable the Committee to review the quarterly financial management reports, as well as any changes to accounting policies and procedures.

## **Treasury**

33. A Committee member continued to serve as external member of the Treasury Risk Committee and the Treasury Investment Group, supporting an update of the treasury committee structure, a further increase in environmental, social and governance-oriented investments and respective measurement in the overall investment portfolio, and the further development of investment policy and the reporting suite.

34. Following discussions with a number of Member States, the Committee worked with the Treasury Division to prepare an analysis of the Organization's treasury set-up.

35. The Committee was regularly updated on the advisory work performed.

## **Central evaluation**

36. The Committee met with the Chief of Evaluation to receive updates on the mandate, new organizational set-up, annual report and biennial plan of the Central Evaluation Unit, together with information on the MOPAN assessment and ongoing activities.

37. As per the Director General's request to include the oversight of the evaluation function in the mandate of the Committee, the Committee reviewed the draft charter of the Central Evaluation Unit. The Committee's terms of reference were reviewed and updated to reflect these changes. The Committee will be regularly briefed by the Chief of Evaluation at its scheduled meetings.

38. The Committee reviewed the vacancy notice for the Chief of Evaluation, to be advertised in view of the current incumbent's retirement. It was agreed that the Director General will consult with the Committee during the hiring process for the position.

## **Department of Legal Affairs**

39. The Department of Legal Affairs shared information on the Working Group on Partnerships, Governance and Organizational Priorities with the Committee, including its draft terms of reference.

40. The Department also gave a short presentation on its current work and priorities, including the potential revision of two internal instructions: the instruction on the Request for Review and Appeal to the Joint Administrative Review Board (JARB) (IN/217) and the instruction on the Reporting and Investigation of Misconduct Framework (IN/275).

### **Rotation policy**

41. The Committee agreed to enhance its understanding of the rotation policies of oversight functions within the United Nations system.

### **Committee terms of reference**

42. The Administration and the Committee reviewed and updated the Committee's terms of reference to reflect its advisory role in the context of the recruitment of senior oversight personnel, communication with the Member States, specifications on the overall non-executive mandate of the Committee and its oversight role towards the Central Evaluation Unit.

### **Integrated reporting**

43. The Committee recommended the development of an integrated report on finance, risk and evaluations, and discussions were held with several departments, namely the Office of the Inspector General, the Department of Financial and Administrative Management, the Department of Strategic Planning and Organizational Performance and the Executive Office.

### **Joint Inspection Unit**

44. When IOM joined the United Nations system in 2016, the IOM Council decided on two exceptions: the Joint Inspection Unit and the International Civil Service Commission. At the request of the Director General, the Committee provided its perspectives on factors to be considered by the Organization in making the decision to engage or not the services of the Joint Inspection Unit.

### **External Auditor**

45. The Committee met three times with the External Auditor to discuss areas of common interest and to ensure the ongoing coordination of their respective activities.

46. The Committee shared its analyses on the Joint Inspection Unit and organizational set-up in terms of evaluation and treasury with the External Auditor.

47. Both the External Auditor and the Committee agreed that the internal audit and risk management functions should continue to work together and, if possible, meet in person or virtually during every Committee meeting.

48. The Committee will explore the issue of fraud in more detail in the context of IOM, given the External Auditor's perspective that fraud risk is a long-term concern for the Organization.

### **Member States**

49. Following an introductory meeting between the Committee and a couple of Member States to discuss their perceptions and expectations of the oversight functions of IOM, it was agreed that the Committee will meet informally with several Member States during its meetings. Two further meetings were held during the reporting period.