

**STANDING COMMITTEE ON PROGRAMMES AND FINANCE**

**Thirty-fourth Session**

**STATEMENT OF THE EXTERNAL AUDITOR TO THE THIRTY-FOURTH SESSION  
OF THE STANDING COMMITTEE ON PROGRAMMES AND FINANCE ON THE  
FINANCIAL OPERATIONS OF THE INTERNATIONAL ORGANIZATION FOR  
MIGRATION FOR THE 2023 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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FOR MIGRATION FOR THE 2023 FINANCIAL YEAR**

**Honourable Chair, Distinguished delegates, Excellences**

1. 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 2023 financial year.

2. The Auditor General of Ghana was first appointed the External Auditor of IOM by Council at its 106th Session and the mandate was renewed by Council at its 112th Session for the 2022, 2023 and 2024 financial years.

3. 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 eight audits of the Organization in accordance with the Financial Regulations and Rules of IOM for the 2023 financial year. The final report on the audit, which contains significant audit findings and recommendations, had been presented separately for submission to 115th Session of IOM Council.

4. We performed financial audit of the Organization's Financial Statements for the financial year ended 31 December 2023 and reviewed some operations at Headquarters Organization and Manila Administrative Centre. Also, we conducted compliance audits of IOM offices in Bangladesh, Belgium, Bern, Cambodia, Colombia, Ethiopia, Mauritania, Nepal, Peru, Sierra Leone, Slovakia, Tajikistan, The Gambia, The Netherlands and Zambia. Again, we carried out Performance Audit on the implementation of the Delegation of Authority (DoA) policy.

5. The financial audit focused on obtaining reasonable assurance as to whether the activities, financial transactions and information reflected in the financial statements were, in all material respect, in compliance with the IOM's financial regulations. Coordination with the Office of Inspector General had been continual and comprehensive. Professional reliance was placed, where necessary, on the work of the internal audit and other external reviews and assessments.

6. Significant findings arising from the audits performed, after detailed discussion with the concerned management personnel, were conveyed through Management Letters. The most significant of the recommendations have been incorporated in this report and Management has indicated that action would be taken to address them.

Audit Type	Priority of audit recommendations				Total
	Critical	High	Medium	Low	
Financial	1	7	4		12
Compliance		3	26	2	31
Performance			2		2
<b>Total</b>	1	10	32	2	45

### Overall Audit Opinion on the Financial Statements

7. In our opinion, the Financial Statements present fairly, in all material aspects, the financial position of the IOM's operations as at 31 December 2023. We have placed an unqualified audit opinion on IOM's financial statements for the financial year ended 31 December 2023.

### Financial matters

8. The overall budget for the year 2023 was USD 3,343.54 million for the Operational Part and CHF 65.35 million for the Administrative Part. During the year 2023, the total revenue was USD 3,522.54 million as against a total expenditure of USD 3,419.35 million, leaving a surplus of USD108.18 million before considering exchange gain of USD 57.60 million and Administrative programme revaluation adjustments (surplus) of USD 2.34 million, the adjusted surplus amounted to USD 168.00 million. The current assets receivables pertaining to assessed contributions and voluntary contributions as at 31 December 2023 stood at USD 5.47 million and USD 314.77 million respectively. The key financial indicators of IOM for the year ended 31 December 2023 were as follows:

- a. IOM recorded a surplus (before exchange rate difference) of USD 108.18 million during the year 2023, compared to a surplus of USD 55.56 million registered in 2022, an increase of USD 52.61 million or 95 percent;
- b. IOM's revenue showed an increasing trend during the last five years from 2019 to 2023; and
- c. Though due to increase in activities, most of the components of expenditure registered increases in 2023, over the 2022 figures, the expenditure continued to remain within budget in 2023.

9. IOM continues to experience significant growth across all regions and programme areas and our audit work showed the inherent risks of the inadequate core structures of the Organization Administrative programme represents just about 2 percent of the total consolidated expenditure in 2023. With the implementation of the Budget Reform and Internal Governance Framework and the related reforms, we urged Member States to support the new IOM Global Appeal 2024 initiative to secure flexible funding and take immediate or strategic actions to review programmatic funding arrangements as well as development of accountability framework in light of

the continuous growth of IOM operational activities. We are of the view that a strengthened core structure would enhance the Organization's efforts to meet the increased expectations of beneficiaries, Member States, donors and other stakeholders

#### **A. Financial Audit**

##### *Delay in the implementation of the new ERP*

10. We reviewed the progress of the Oracle Enterprise Resource Planning (ERP) implementation and noted that the final roll out go-live date has been moved from the initial date in January 2024 to a date yet to be determined after two misses on scheduled date. Also, the status of progress showed that out of 36 itemized cloud modules, only four have been completed and deployed with three at the design review and 29 remaining at the pre user acceptance test stage. **We recommended that Management should prioritized the implementation of the Oracle modules considering the business requirements, design and configuration status with clear time-bound plan for implementation. Also, update the Project Charter to include responsibilities of business owners which covers business requirements, data cleaning and migration and user testing as well as sign offs.**

##### *Review of OSI fund application*

11. The annual IOM financial reports showed positive correlation with the expansion growth of the Organization and the actual Operational Support Income (OSI) over the years. However, we are concerned about the inability of the Organization to attract unearmarked contributions from 2019 as alternative funding to support IOM's administrative, staff capacity and other unbudgeted activities and structures. **We recommended that Management should continue with the road map of the budget reform and develop strategic funding activities to secure unearmarked contributions to support the Organization's core and administrative activities. In addition, Member States should commit towards a more predictable funding arrangement for the optimal core structure needed to administer the Organization's activities.**

##### *Revision of investment strategy to optimize investment funds portfolio*

12. The benchmarks of IOM short-term investments are instruments held for a period of 90 days or longer. Whereas, long-term investments are instruments (bonds) held for longer than 12 months and classified as current assets if theoretically, they could be resold on an open market at the reporting date. We noted that investment asset allocation within the portfolio was heavily concentrated in term deposits pursuant to Article 7(1) of the IOM Financial Regulations. **We recommended that Management should engage with Member States to consider amendment to Article 7 of the Organization to ensure that funds are invested to place primary emphasis**

**on minimizing the risk to principal funds and other factors such as avoiding over concentration with individual counterparties, sustainability criteria, balancing overall average credit risk, must also be factored into daily decisions.**

*Need to update the Internal Control Framework*

13. The Organization's Internal Governance Framework (IGF) identified and adopted the traditional three lines of defence (3LOD) risk management model. Although, we have not identified material failure in the operation of the internal controls of the Organization, we are of the view that IOM's continuous growth and expansion as well as the need to sustain the reforms initiative have a far reaching and complex impact. **We urged Management to update the Organization's Internal Control Framework (ICF) to articulate the key day-to-day internal control roles and their associated authorities, accountabilities, and responsibilities considering the Organization's continuous growth and expansion.**

*Need to strengthening migration data management mechanism*

14. We noted that IOM collects a wealth of data on migration through projects implementation worldwide using dispersed or thematic collection modes of institutions within the state and/or not comparable with statistics of other states. In this regard, the Organization's MiMOSA NextGen initiative/application serves as an electronic beneficiary case management, providing a new architectural framework that would facilitate enhanced migrant services. **We recommended that Management should ensure to allocate funding to scale up the development of the MiMOSA NextGen to cover other thematic areas of IOM migration data collection mechanism.**

*Need to have a costing and funding model on cybersecurity*

15. We noted that the Organization has made significant investments to improve and strengthen Information Security posture and had adopted and strengthen a decentralized field operating model for country offices to provide a greater autonomy and ownership. However, there was absence of a costing model to give guidance to secure funding or cost their cybersecurity funding requirement to improve the whole cyber resilience against the continuous technological exposure. **We recommended that the ICT Department should develop and provide a costing model to assist country offices solicit for funding towards strengthening their technology security. Also, Management should implement the cybersecurity assessment recommendations to improve the existing security structures.**

*Beneficiary assets derecognition*

16. We reviewed project implementation activities in relation to the transfer of assets to intended IOM beneficiaries. However, our sampled analysis showed control deficiencies/weaknesses in the derecognition of beneficiary assets to provide real-time

information on the status. **We recommended that FAD should ensure that RRMOs/RMOs conduct timely reviews of beneficiary assets from the date of initiation and retirement after handover to beneficiaries based on appropriate documentation.**

*Review of Manila Supply Chain Unit activities*

17. Our review of the Manila Supply Chain Unit (MSCU) showed significant progress in the alignment with IOM 2024-2026 Supply Chain Management Strategy. Whereas the volume of goods and services procured by IOM has grown substantially over the years with continuous growth of the Organization's activities, it is paramount to improve continuous procurement training, staff level improvement at both MSCU and regional level, and ensure real time oversight visibility of country offices. **We recommended the review of the staffing level of MSCU to strengthen its capacity and provide adequate support to IOM regional and country offices and develop a methodology to undertake global oversight, quality control and monitoring (virtual and on-site).**

*Follow up on global payroll processing implementation*

18. We noted that IOM has implemented the global payroll processing approach for professional and general staff category across for a total of 142 missions with approximately 14,000 local staff. However, we noted that 17 country offices would be centralized at the go-live of the Oracle ERP as they need additional system configuration and payroll data would be tested on sample basis. **We recommended that Manila Health Resource Office (MHRO) should establish a data quality assurance framework to include procedures for planning, data cleansing, conversion, testing and validation. Also, the Oracle ERP test environment should allow MHRO close to 100% data testing using IOM data. This would enable MHRO to identify potential errors and reconcile the test result discrepancies prior to loading to the production environment.**

*B. Compliance Audit*

*Need to adopt electronic cash transfer under cash-based interventions*

19. We noted that the Sierra Leone Mission cash-based interventions (CBI) approach in the implementation of project activities was in the form of physical transport of cash to pay beneficiary individuals or group recipients under the programs. This approach revealed high volume of cash transportation, coupled with risks such as staff personal safety, misuse, or double payments. **We recommended that the Head of Office and Resource Management Officer should establish cash threshold and continue to engage with the Regional Office and Headquarters to establish a much more efficient delivery mechanism for electronic cash transfer grants/pocket grants to intended beneficiaries.**

*Need to improve gender balance*

20. We noted that the Bern Mission operated with total staff of 19, out of which three are males and 16 are females indicating a gender imbalance of 1:4 (male to female ratio). **We recommended that the CoM should adopt and liaise with IOM Headquarters Human Resources Department towards working to achieve plausible/potential gender balance parity in staff allocation.**

*Untimely update of assets information in SAP PRISM*

21. We noted that assets inventory count information of the Zambia Mission was not timely updated in the SAP PRISM. **We recommended that CoM should ensure that the RMO timely update IOM assets information in the PRISM after physical stock take.**

*Review of Mission project activities*

22. We reviewed the Gambia Country Office project portfolio and noted that generally, the Office complied with the IOM Project Handbook, except that project's formulation, endorsement and activation timelines as compared with the planned start dates revealed significant delays in the turnaround period for completion. **We recommended that the CoM should consider seeking for colleagues on short-term assignments within the IOM Central & West Region to support the Project Managers during moments when they are overwhelmed with project activities.**

*Delays in project proposal development and activation activities*

23. Our sampled review of project formulation, endorsement and activation timelines as compared with the planned start dates at the Netherland Mission revealed significant delays in the turnaround period. **We recommended that the CoM should streamline the Office administrative process between project proposal development and activation to address any gaps and root causes contributing to the delay in the project cycle.**

*Outstanding VAT reimbursable*

24. We noted that at the Peru Mission, an amount of USD 1,384,844 remained as VAT receivable over a period of 120 days as of 21 November 2023. **We recommended that the CoM should ensure that the RMO train schedule officers on the new tax reimbursement system and conduct periodic follow up on any outstanding reimbursement with the Tax Authority.**

*Unrecovered Contract advance payment*

25. We noted at the Slovakia Mission that an amount of EUR 9,360 was advanced to a Vendor, (Jumo S.R.O) without payment guarantee. Also, we noted that the items were not delivered as at the time the project was closed on 31 March 2023. **We**



**recommended that the CoM should liaise with IOM LEG for the recovery of the amount of EUR 9,360.00 from Jumo S.R.O.**

*Delays in VAT reimbursement*

26. Our review of the Ethiopia Mission records showed an amount of USD 1,689,885.55 VAT receivable as at the time of our audit. **We recommended that the CoM should ensure that the RMO submits all tax refunds in accordance with the Tax Authority's guidelines and conduct periodic follow-up on any outstanding VAT receivable.**

*Review of staff vendor ageing balances*

27. Analysis of the Nepal Office staff and vendor downpayment open items showed that the total amount of NPR 299,050.00 and USD 1,100 relates to receivables ageing between 31 to 90 days and over 91 days respectively. **We recommended that CoM should ensure that the RMO review vendor downpayment balances on monthly basis, to ensure that these advances are transferred as expenses to projects to avoid any deficits after project closures.**

*Need to update the Compliance Control Self-Assessment Tool*

28. Our review of IOM Tajikistan Office showed that Compliance Control Self-Assessment Tool (CCSAT) information such as evaluation of the effectiveness of the control, action plans, delivery dates, owners, and the post implementation comment were not updated. **We recommended that the CoM ensure that the CCSAT is completed with all the relevant information to ensure that significant control deficiencies identified are systematically documented and monitored.**

*Self-payer income in cash receipts*

29. We noted that the Cambodia Mission continue to accept physical cash for services rendered in respect of self-payer transactions. **We recommended that the CoM should liaise with all stakeholders to find the best possible way to receive moneys from self-payer transaction through the banking system in accordance with host country laws.**

*Review of Additional Protocol to existing Country Mission Agreement*

30. We noted that the Belgium Mission has not finalized the Additional Protocol to the 1973 Agreement to enable engagement with the Kingdom of Belgium to adopt a whole-of-government approach on migration activities such as labour mobility and human development, social inclusion programs, and diaspora engagement to achieve sustainable development outcomes. **We urged the Mission to collaborate with the Ministry to expedite action to approve and institutionalize these documents to the benefit of migrants, refugees, and government at large.**

*Need to ensure timely submission of donor report*

31. We noted from the review of donor reports that the expected deadlines for the submission of interim and final reports for six projects were delayed by the Colombia Mission. **We recommended that the CoM should establish procedures to strengthen its oversight of programme and project activities, ensure timeliness and quality of donor reporting, as well as the appropriateness of project funds management.**

*Need to enhance effective fire prevention methods at Rohingya refugees' camps*

32. Our review of Bangladesh IOM Rohingya Humanitarian Crisis implementation activities revealed the occurrence of fire outbreaks at the Rohingya Refugees Camps that destroyed many shelters and displaced a number of refugees monthly. **We recommended that the CoM should liaise with the Bangladesh Fire Brigade and other stakeholders to assess the cause of the rampant outbreaks and develop appropriate solution including safety protocols and training of focal persons to reduce the risk of fire disasters at the camps.**

*Incomplete assets information in PRISM*

33. We noted that the asset register of the Mauritania Mission does not have essential information such as serial numbers, user assignments and record of last physical inventory date. **We recommended that the CoM should ensure that the RMO regularly updates the Office asset information with all the required or essential information.**

*C. Performance Audit*

34. IOM developed and issued a Delegation of Authority (DoA) policy which seeks to among others, provide staff with clear guidelines on delegation of authority, empowering them to make informed decisions in alignment with organizational goals, laws, regulations, and industry standards thereby minimizing legal and regulatory non-compliance risks. We concluded that the DoA is largely complete and covers administrative and managerial activities which support IOM operational functions. However, the DoA policy did not specify what constitutes major and minor decisions. Also, systemic monitoring was not carried out to identify implementation challenges.

**We recommended that Management should clearly define what constitutes major decisions and the Compliance Unit should monitor on a quarterly basis to identify the deviations in the completion and use of the DoA matrices and to bring early remedial in the implementation of the policy.**

**Management response**

35. The implementation of IOM DoA policy commenced from April 2023 and what constitutes major decisions is covered by restricting IOM Officer in Charge, not to

make decisions that would impact the Organization beyond the period of designation. Also, the Institutional Risk Division would take steps to plan and perform the DoA monitoring.

#### **Follow-up on recommendations from previous audit report**

36. We conducted a follow up on our prior years audit recommendations and noted that as at the end of 31 December 2023, a total of 20 recommendations were outstanding and at various levels of implementation. **We recommended that Management should continue with the regularly review of the progress of the implementation of the External Auditor's recommendations and report thereon.**

#### **Cases of fraud and presumptive fraud**

37. We reviewed cases of frauds, presumptive frauds and write offs by Management and noted that the Administration reported on 511 cases of substantiated and unsubstantiated fraud in 2023. While 318 cases were closed, 193 presumptive fraud cases were still ongoing as at 31 December 2023. All the cases were referred to Office of Internal Oversight Services (OIO) for investigation. 21 cases were substantiated and referred to the Office of Legal Affairs for further processing and a financial loss to IOM of USD 349,206.60 was reported. We are satisfied with the actions taken by Management in addressing the reported cases.

#### **Conclusion**

38. I wish to conclude by expressing our appreciation of the cooperation extended to us by the Director General, the Director, Department of Financial and Administrative Management, the Head of Finance and Accounting Division and his team, Chiefs of Missions, Office of the Internal Oversight Services and all other staff of the IOM during the course of the audit.

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