

SUBCOMMITTEE ON BUDGET AND FINANCE

EIGHTY-SEVENTH SESSION

7-8 May 2002

SCBF/251
RESTRICTED

25 April 2002

STATEMENT OF THE EXTERNAL AUDITOR
(OFFICE OF THE AUDITOR GENERAL OF NORWAY)



IOM International Organization for Migration

STATEMENT OF THE EXTERNAL AUDITOR
(Office of the Auditor General of Norway)

1. **Audit opinion.** We have audited the financial statements of assets, liabilities and funds of the International Organization for Migration, Geneva, for the year ended 31 December 2001, and in our opinion the financial statements and related notes give a true and fair view of the resources and expenditures of the Organization's programmes and funds for the year ended 31 December 2001 and of its financial position on that date. A separate report, giving a summary of the audit results, main observations and recommendations, has been submitted to IOM for information and consideration.
2. **Balance sheet.** The balance sheet accounts and the corresponding notes were examined to verify and confirm the amounts presented in the Financial Report for the year ended 31 December 2001. IOM's bank accounts were verified using bank statements sent to the auditors from banks that have IOM current accounts and deposit accounts. Cash management procedures were reviewed on the basis of examination of submitted monthly Mission Review Checklists and examination of the ensuing key controls carried out by the Regional Accountants.
3. A complete reconciliation analysis of bank accounts was examined and all reconciliation variances were satisfactorily justified and explained. The total bank and cash amount of USD 74,080,246 recorded on the balance sheet as of 31 December 2001 was thus verified and confirmed.
4. The transactions and procedures examined in connection with balance sheet accounts were well documented and explained and consistent with information in supporting documentation and notes referred to in the Financial Report. In our opinion, the total amount on the balance sheet of USD 149.4 million gives a prudent and conservative valuation of the assets of IOM.
5. **Administrative Programme.** We examined the statement of resources and expenditure for the Administrative Programme and reviewed the corresponding notes and appendices. Our audit also included an analysis and examination of supporting documentation, reports and other back-up documentation in order to verify and check the transactions in the main ledger. No extraordinary items or amounts were detected.
6. The total expenditure of CHF 35.3 million was covered by the budget of CHF 35.8 million, and the net result for the year, an excess of resources of CHF 1,014,641, has been correctly carried forward to the next year and included in the funds available section of the balance sheet with the amount of USD 603,953.
7. **Operational Programmes.** We examined the statement of resources and expenditure for the Operational Programmes and reviewed the corresponding notes and appendices. Our audit also included an analysis and examination of supporting documentation, reports and other back-up documentation in order to verify and check the transactions in the main ledger. No extraordinary items or amounts were detected.
8. A sample of monthly expenditure reports from Field Missions was selected for examination of budget control and compliance with accounting procedures for Field Offices. The Mission Review Checklist was examined to verify internal control procedures and to verify supervision activities carried out by the Chief of Mission, the Mission Accountants and the

Regional Accountants at Headquarters. The internal control procedures and procedures regarding supervision and follow-up of expenditure were examined, and the internal control was found satisfactory and strong. The budget control procedures seem to function well, and there is close supervision of payments of expenditure at the Missions selected for examination.

9. The net result for the year, an excess of resources of USD 5,416,332, has been correctly carried forward to the next year together with the net balance of resources from previous years of USD 53,471,382, totalling USD 58,887,714.

10. **Compensation Programmes.** The combined statement of resources and expenditure for the German Forced Labour Compensation Programme (GFLCP) and the Holocaust Victim Assets Programme (HVAP) is presented in appendix 3 of the Financial Report in the summary table on the row called Other Programmes. We examined whether the amounts presented in the summary table correspond to the accounting balances in the main ledger, and a sample of accounts was selected for examination of bookkeeping transactions and test of details of accounting entries and procedures. The two programmes appear to have the same strong financial control as seen in the Administrative and Operational Programmes. No extraordinary items or amounts were detected. Our conclusion is that expenditure accounts are well controlled and supervised, with suitable internal control procedures.

11. **Refugee Loan Fund and US Refugee Programme.** In accordance with the requirements of the Memorandum of Understanding (MOU) between the United States' Department of State and IOM, we have examined the financial reports for the US Refugee Programme for the year 2001 to certify their accuracy and appropriateness in meeting the terms of the MOU. These reports are quarterly income and expenditure reports, quarterly reports on repayment of loans given to refugees, quarterly statements of the balance of the refugee loan fund and an annual expenditure report for the United States' Government fiscal year from October to September.

12. Loan collection reports from agencies were examined, and bank statements and monthly bank reconciliation analysis confirmed the amounts paid by agencies to IOM bank accounts. The internal audit report by IOM on current loan collection activities was studied, and it is our impression that the efficiency and effectiveness of the loan collection activities have improved over the last few years.

13. Generally, it was concluded that the loan collection activities and the US Refugee Programme activities and expenditure accounts were properly accounted for, based on strong control of expenditures and close supervision of activities, with a high level of internal control. The amounts in the quarterly financial reports and annual financial statements were verified, and the reports were found to be consistent with information in supporting documentation, bank statements and accounting records.

14. **IT service management.** As an integrated part of the audit work for 2001, we examined IOM's IT service management and assessed how the IT service meets the needs of the Organization. Our main observations and recommendations were presented to IOM in the report entitled Audit of IT Service Management in IOM, June–July 2001. A follow-up review conducted in March 2002 of the latest developments in the IT service management revealed progress and improvements in several of the areas and items we mentioned in our audit report. The network problems are diminishing, but IT security still remains to be strengthened. Software development is progressing well, and plans are underway to replace SIGAGIP.

Training activities are crucial for the successful use of IT tools, and we believe that our recommendations from July 2001 regarding IT training are still valid and important for IOM.

15. In our audit report on IT Service Management, we emphasized the importance of developing a strategic plan for IT services and considering an organizational restructuring of the work and functions of IT services in IOM. We understand from our follow-up review that restructuring is now being implemented, and that a new end-user support group has been established, located at the IOM Field Office in Manila.

16. **Provident Fund statement of accounts.** We audited the financial report and statements of the IOM Provident Fund for 2001. The specific statements examined are attached as appendix 14 to the IOM Financial Report for the year ended 31 December 2001. In our opinion the financial statements and related notes give a true and fair view, in all material respects, of the financial position of the IOM Provident Fund as of 31 December 2001 and the results of its operations for the year then ended.

17. **Accounting procedures for IOM Field Offices.** IOM has developed and issued new versions of manuals, guidelines and checklists for field accounting procedures, and it is our impression that these new versions constitute efficient tools for the accounting staff in the Organization. The new manual for accounting procedures is easy to understand and gives many illustrative examples for the accounting practitioner. The Mission Review Checklist provides the Regional Accountants at IOM Headquarters with a valuable control tool in the accounts supervision work, and the Yearly Financial Confirmation Certificates submitted by all the Chiefs of Mission and Heads of Office provide a further strengthening of the financial supervision.

18. We would like to take this opportunity to express our appreciation and gratitude to the Director General of IOM, his officers and members of their staff for the cooperation and assistance given to us during the year.