



IOM International Organization for Migration
OIM Organisation Internationale pour les Migrations
OIM Organización Internacional para las Migraciones

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**STATEMENT OF THE EXTERNAL AUDITOR
ON THE ACCOUNTS OF IOM FOR THE FINANCIAL YEAR 2007**

(Office of the Auditor General of Norway)

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1. **Audit opinion.** We have audited the financial statements of assets, liabilities and funds of the International Organization for Migration (IOM), Geneva, for the financial year 2007, 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 2007 and of its financial position at that date. An extended audit report, giving the main audit findings 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 2007. IOM's bank accounts were verified using bank statements for current accounts and deposit accounts. Cash management procedures and internal controls were tested and treasury routines were examined.
3. A complete reconciliation analysis of bank accounts was checked and all reconciliation variances were satisfactorily accounted for and explained. The total bank and cash amount of USD 347,047,813, included in the balance sheet as at 31 December 2007, has thus been 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 of assets of USD 507,374,057 on the balance sheet is a prudent and conservative valuation. Assets are not overstated.
5. During the year IOM has received CHF 1,951,619 as payment on outstanding contributions from 2006 and prior years, but this did not result in a reduction of the total outstanding balance. Some of the 32 Member States with outstanding assessed contributions of two or more years as of 2007 have entered into a repayment plan with IOM to clear their debts. It is our impression that the matter of outstanding contributions remains under continuous review by the IOM Administration and follow-up activities have been carried out during the year.
6. Regarding the reserve for staff terminal emoluments, it is our conclusion that the reserve of USD 40,790,612 is sufficient to cover the estimated accrued liability for severance pay and other emoluments. However, as informed by IOM in Note 9 of the Financial Report, this reserve may not be sufficient to cover fully the estimated liability based on an internal calculation for retired staff members' health insurance premiums.

7. We recommend further analysis of estimated future payments which will be charged to the staff terminal emoluments reserve and to identify probable shortfalls in the reserve. As a result of this analysis, a decision has to be taken about how to cover such probable shortfalls, either by reducing obligations or providing sufficient resources to match the commitments.

8. **Administrative Programme.** We examined the statement of resources and expenditures 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 general ledger. No extraordinary items or amounts were detected. The total expenditure of CHF 38,229,322 was covered by total resources of CHF 38,045,000, giving an excess of expenditures before appropriations of CHF 184,322.

9. After appropriation of other resources, increase in the provision for doubtful receivables plus assessed contributions from new Member States, the net result is a debit balance of resources brought forward to next year and entered in the balance sheet as resources carried forward from 2007.

10. **Operational Programmes.** We examined the statement of resources and expenditures 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 general ledger. No extraordinary items or amounts were detected.

11. Income accounts were examined for a sample of major projects, including projects funded by Member States, the US Refugee Programme, USAID, EU and UN. Our conclusion is that the income accounts are well managed and supervised with a satisfactory degree of internal control and comprehensive information transparency regarding sources of income and contributions from donors, agencies and organizations.

12. The net result for the year, an excess of resources of USD 123,639,404, has been brought forward to the next year together with the net balance of resources from previous years of USD 216,272,928.

13. **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 2007 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 balance statements of the refugee loan fund and an annual expenditure report for the United States Government fiscal year from October to September.

14. 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 reports by IOM on current loan collection activities were studied and it is our impression that the efficiency and effectiveness of the loan collection activities have improved over the last ten years.

15. As a result of the audit, we have concluded that the loan collection activities and the US Refugee Programme activities and expenditure accounts are properly accounted for and properly reported. 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.

16. **Audit findings from field visits.** The audit of internal controls and financial management regarding project accounting was carried out through audit visits to IOM Field Offices and a summary of our main observations and recommendations is as follows.

17. It is our impression that Field Missions are following procurement procedures in line with IOM's Procurement Manual. All procurements reviewed have been controlled by necessary authorizations and acceptable supporting documents. Some Field Missions are using locally designed documents instead of standard IOM documents such as the Purchase Requisition and Purchase Order Forms. We recommend that those Field Missions use standard IOM documents.

18. Monitoring the procurement process by database recording is a management tool used by major IOM Missions. We recommend that all IOM Missions with procurement activities introducing monitoring procedures, supervise the flow of documents and status of activities.

19. From our examination of routines for handling cash and cash reconciliation we concluded that these procedures can still be improved at Missions operating in a difficult environment with limited banking facilities. We recommend that IOM maintain strict cash management procedures and keep a close follow-up on cash payments and frequent clearance of cash advance accounts. In Missions with substantial cash handling, we recommend that the Chiefs of Mission do spot checks to supervise and verify the physical cash count activity at the Mission.

20. IOM has no regular monitoring and recording of authorized signatories by Mission. We recommend developing a framework of delegation of responsibility and authority that shows at any time the persons who are given the authorization to sign for IOM. Such a matrix could have signatories grouped in various levels of authorization and purpose, showing for which types of expenditures and up to which level of commitment an IOM employee can sign. Changes of staff having signatory rights should be recorded without delay in the matrix of authorized signatories, followed by corresponding updates of the panel of bank signatories and information to external representatives.

21. In all projects selected for review, we have seen well documented and comprehensive reports to donors, with satisfactory and proper description of activities and financial results. Financial reporting formats follow agreements with donors and the reports give substantial information about achievements and expenditures. Some projects have donors that demand overwhelming documentation and particular financial analysis of expenditures, causing as a consequence serious delays in the submission of the financial reports from IOM to the donor. In addition, those particular requirements often create additional delays in receiving payments as a result of the time-consuming approval processes needed by these donors prior to releasing funds to IOM.

22. Procedures and databases used for the Assisted Voluntary Return Programmes were examined, as well as procedures followed at departure of returnees. The supervision of transport activities was well organized and controlled, with strong and efficient control systems and efficient monitoring of activities and expenditures.

23. Cash payments prior to departure from the airports were examined and tested, including payment calculations, transmission of payments to debit cards or bank accounts, monitoring of payments received by beneficiaries, accounting control of bank transactions and financial control of budget allocations. The payment system and internal controls were well organized with proper and sufficient control procedures.

24. The system of reinstallation grants is well organized and controlled, with a close follow-up on persons receiving grants. Money transfers are properly controlled and the coordination with IOM Missions in countries of return is good. A sample of Reintegration Fund Evaluation Questionnaires was examined. The questionnaires seem to be a strong tool for monitoring the end result of the reintegration grants.

25. IOM Missions with Assisted Voluntary Return (AVR) projects have often developed their own databases to record and monitor activities. We understand that the current MIMOSA database can be expanded to include additional information about AVR activities in the form of a Return Module to be used by all IOM Missions in Europe.

26. We believe that this expansion could be further developed into a particular Europe-wide database application that would give standardization to the data collection and records of AVR activities and provide increased efficiency in planning and management of AVR programmes.

27. **PRISM Financial Systems.** IOM is making a fundamental change in its accounting structure and, as of January 2008, all of IOM's financial transactions will be consolidated using PRISM Financial Systems, based on SAP software. During 2007 we have reviewed the start-up activities of the PRISM Financial Project Team and examined the planned activities for change management. The functioning of PRISM Financial Systems will be tested by the auditors during 2008 audit work.

28. As a result of the audit examinations in 2007, we have seen that nearly all areas were well prepared in a short time, but there are risk areas which need attention and counter-measures in 2008. The operational guidelines, work instructions and handbooks seem to be suitable and the training programmes for experienced end-users sufficient. The procedures for security administration are in progress, but the structure and definitions of users' responsibility and accountability for business processes and authorizations were not satisfactorily developed as of January 2008.

29. The introduction of automatic controls versus manual controls introduces new risk areas, and online support from qualified staff at help centres is essential for successful use of PRISM Financial Systems. As a conclusion, we have seen risk areas that IOM agrees to focus on during implementation of PRISM in 2008, together with expanded training and refresher training for less experienced end-user staff at Field Missions.

30. **Internal audit services.** During our audit work we have had close contact with internal auditors from the Office of the Inspector General and reports and observations from internal auditors' visits to Field Missions have provided valuable information for our external audit work when planning audit tests and assessing risk factors.

31. The significant growth and expansion of IOM during the last years has created increased pressure on internal audit staff resources. For the next years new areas of audit work will arise as a consequence of changes in accounting processes and support structures when more complex IT systems are implemented using SAP software to upgrade IOM's financial management system.

32. We recommend that IOM assess the need for IT audit expertise to provide assurance over the operations of the new accounting and internal control systems. The assessment should also establish the level of staff resources and professional skills necessary to deliver an effective and comprehensive audit programme.

33. **Acknowledgements.** We wish to use this opportunity to express our appreciation and gratitude for the cooperation and assistance provided by the Director General and his staff at Headquarters in Geneva and the staff at the Field Missions we visited during our audit work.

Thank you very much.