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

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**REPORT ON THE IMPLEMENTATION OF THE  
EXTERNAL AUDITOR'S RECOMMENDATIONS**



## **REPORT ON THE IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS**

### **Introduction**

The External Auditor, the Comptroller and Auditor General of India, presented his report for the financial year 2012 to Member States in document CRP/40 at the 110th Session of the Executive Committee, held in June 2013.

The Administration accepts the recommendations made in the report and has provided assurances that action will be taken to address them subject to the availability of resources. The present report summarizes the External Auditor's recommendations, IOM's response and the remedial action(s) taken and/or proposed. In addition, the annex provides information on the progress made in implementing recommendations from previous years.

### **Recommendations and responses/actions taken**

#### **1. Governance**

**Recommendations:** The Administration agreed to the following recommendations made under the performance audit report on the oversight mechanism.

- IOM may consider adopting a procedure whereby AAC members are selected/appointed by a process approved by the Council or by a Committee of the Council to ensure their independence. Furthermore, the mandate of the AAC should be redrafted to enable it to report independently to the Council, and its scope may be broadened to include the other functions (evaluation, investigation, rapid assessment and compliance) of the internal oversight under its ambit.
- IOM may consider seeking Council approval of the Internal Audit Charter and the submission of an annual report containing the results of the internal audit to the Council.
- Evaluation and investigation staff strength may be enhanced and a suitable training policy may be formulated in addition to the allocation of specific funds for training and professional development purposes in the annual budget.
- IOM may strengthen OIG by deploying more staff, in line with the benchmark recommended by the Joint Inspection Unit of the United Nations.

**Response:** Agreed. It should be noted that strengthening the capacity of the Office of the Inspector General (OIG) vis-à-vis evaluation, investigation and internal audit is contingent upon approval by the Council to increase IOM's core resources within the context of the Member States-led budget reform initiative.

**Action(s) taken:** Regarding the first bullet point, this recommendation has been implemented. The Audit Advisory Committee (AAC) mandate has been redrafted and its recruitment process changed to include Member States participation as endorsed by the Executive Committee. The AAC will be renamed the Audit and Oversight Advisory

Committee and will report to both the Director General and the Standing Committee on Programmes and Finance (SCPF).

Regarding the second bullet point, the recommendation on the Internal Audit Charter is still under discussion within the AAC, which is considering a different approach. With regard to the submission of an annual report, OIG will present its first report to the current SCPF session; the report will focus on all OIG functions.

Regarding the third and fourth bullet points, a budget allocation has been requested to increase OIG staffing and training for all OIG staff.

## **2. Uninvoiced receivables**

**Recommendation:** I recommend that IOM should work towards meeting all the requirements of issuing an invoice in the case of completed projects to further minimize the balance of uninvoiced receivables.

**Response:** Agreed; however, as acknowledged by the External Auditor, in some instances IOM needs to await donor approval of final reports before it can submit invoices for the residual balances.

**Action(s) taken:** Substantial progress has been made in reviewing and clearing the uninvoiced receivables, with further improvements expected before the year end.

## **3. Treasury management**

**Recommendation:** I recommend that IOM should have a treasury management policy outlining a treasury management framework, objectives, governance guidelines and policy limits. I also recommend that IOM may take the necessary steps to further reduce its number of bank accounts. Furthermore, a comprehensive technological solution for a dedicated treasury management system needs to be put in place for all treasury-related processes, including foreign exchange risk management.

**Response:** Agreed, subject to availability of resources.

**Action(s) taken:** A written treasury management policy has now been agreed and formally put in place through Instruction No. 209. We are still unable to find the funds for a treasury management system (about CHF 160,000 to CHF 300,000 is needed). Potential donors have been approached without success. Another possible solution would be to lease a suitable system at a favourable rate through a partnership with one of our key banks. This idea is at the initial stages of development.

While a treasury management system remains highly desirable, the Treasury Division will also be looking at no-cost or low-cost changes to overhaul the Organization's banking architecture and improve security of money assets and overall investment yields. In this respect, the Treasury Division has issued a request for information to banks for global banking services and is reviewing their responses. The aim is to identify banks that can provide services across regions and automatically regulate the funding of offices' bank

accounts, to minimize cash held in the offices and to reduce the need for bank accounts wherever possible.

Some banks also provide free products to their clients which include some of the control functions of a treasury management system; this could serve as an interim measure.

#### **4. Asset management**

**Recommendation:** I recommend that IOM may put in place a more effective asset management system and strengthen the internal controls in respect of physical verification, custody, disposal and accounting of assets at IOM offices.

**Response:** Agreed. It should be noted that strengthening IOM's capacity vis-à-vis asset management is contingent upon approval by the Council to increase IOM's core resources within the context of the Member States-led budget reform initiative.

**Action(s) taken:** One step in improving the asset management system was through the introduction and implementation of the PRISM Asset Barcoding System (PABS). This system uses a specific asset number that is automatically created in PRISM as a unique barcode number. This barcode number can be printed directly from the PRISM system in the form of an asset tag label using an appropriate printer or through the Field Procurement Unit (FPU), which can print labels on behalf of IOM offices. Inventories of physical assets are supported by the interface between an assets file and a PC-based database application and handheld scanner. Further improvements to IOM's asset management controls will be made as resources allow.

#### **5. Project management**

**Recommendation:** I recommend that IOM may continuously monitor old projects and ensure that project accounts are adjusted at the earliest after the closure dates.

**Response:** Agreed.

**Action(s) taken:** Substantial progress has been made in reviewing and clearing project balances, with further improvements expected before the year end.

#### **6. Emergency Preparedness Account**

**Recommendation:** I recommend that IOM may ensure that the recoupment materializes within one year of advance being given.

**Response:** Agreed.

**Action(s) taken:** The Department of Operations and Emergencies sends a request for recoupment six months after the loan is approved.

## **7. Procurement in Field units**

**Recommendation:** I recommend that action taken and improvements initiated based on my earlier recommendation may be continued.

**Response:** Agreed. It should be noted that strengthening FPU's capacity is contingent upon approval by the Council to increase IOM's core resources within the context of the Member States-led budget reform initiative.

**Action(s) taken:** A monitoring tool for use by FPU has been created for all purchases above USD 75,000. According to this monitoring tool, in the past year (September 2012 to September 2013), for all newly created purchase orders, IOM offices have reached compliance rates ranging from 90 per cent to 100 per cent. In terms of capacity-building, FPU was able to provide training on best procurement practices to several big offices (Colombia, Indonesia, Somalia, Thailand) and within the next two months the Unit will organize training on best IOM procurement practices for 20 to 25 Procurement/Logistics Officers from different Field Offices. FPU was part of the Technical Working Group on Emergency Activation Procedures and actively contributed to improving procurement procedures in emergency situations. An increase in FPU resources would help the Unit to continue these efforts and improvements.

## **8. Cases of fraud, presumptive fraud and write-offs**

**Recommendation:** I recommend that IOM may focus on further strengthening the internal controls to avoid the recurrence of such fraud cases.

**Response:** Agreed.

**Action(s) taken:** Examples of fraud that may be replicated elsewhere are included in the training materials on fraud awareness and prevention provided to Chiefs of Mission, Project Managers and resources management and procurement staff. In addition, a tracking tool is being implemented and an ethics and conduct committee has been established and now meets regularly.

## Annex

## Status of previous external audit recommendations

Recommendation	Assessment by the External Auditor as to the status of implementation (CRP/40)	IOM comments
<p>I recommend that the holding of heavy cash balances should be discouraged except in exceptional circumstances subject to clearances from appropriate authorities.</p> <p>Bank reconciliation should be carried out regularly to avoid misappropriation or fraud.</p>	<p>Ongoing: Although offices were reminded to bring cash holdings to a minimum, some offices continued to hold heavy cash balances.</p>	<p>Agreed that this necessitates an ongoing effort, requiring constant monitoring by the Chiefs of Mission and the Treasury Division.</p>
<p>I recommend that the Administration may explore ways and means so that funding is ensured upfront at the time of finalization/approval of projects. This would also ensure that the project objectives are realized fully.</p>	<p>Ongoing: The Co-funding Group continues to monitor co-funded projects throughout each project's life with a view to minimizing co-funding exposures.</p>	<p>Agreed that it is highly desirable to obtain co-funding in advance; however, this is not always possible. The <i>IOM Project Handbook</i> reminds staff to consider the level of interest of other donors realistically and to develop their concept notes accordingly so that co-funding obligations will be fully met.</p>
<p>I recommend that IOM may expedite the action plan outlining deliverables and a timeline in respect of the pending IPSAS to ensure that the process of migration to IPSAS is implemented at the earliest.</p>	<p>Implemented.</p>	<p>No further comment required.</p>
<p>I recommend that, based on the critical nature of the reports, prompt action should be taken to introduce enhancements to PRISM Financials. The full objectives of introducing PRISM would be realized only when the reports are customized in line with user requirements and provide the Administration with timely and accurate management reports.</p>	<p>Partial implementation: The Administration reported that additional reports are being developed as time and resourcing allow.</p>	<p>Agree with External Auditor's assessment.</p>

Recommendation	Assessment by the External Auditor as to the status of implementation (CRP/40)	IOM comments
<p>I recommend that IOM should have a strategic plan in place for risk assessment and risk mitigation pertaining to procurement processes as part of its envisaged enterprise risk assessment and management strategy. This should include training and capacity-building opportunities for identified staff in procurement procedures.</p>	<p>To be implemented: IOM is at the initial stages in terms of the adoption and implementation of an enterprise risk management strategy.</p>	<p>A mandate is being drafted and the recruitment of a third-party specialized consultant is in progress.</p>
<p>I recommend that a formal document may be prepared by IOM indicating red flag issues and areas which are prone to fraud based on the nature of cases that occurred in the past. The document may be formally brought to the attention of all concerned and also updated regularly.</p>	<p>Ongoing: IOM is in the process of finalizing a fraud manual that will assist in identifying red flag issues and areas prone to fraudulent actions and will provide technical guidance on how to handle fraud cases. Fraud awareness and prevention sessions were included in several regional resource management training workshops conducted in 2012.</p>	<p>Work on the fraud manual is still in progress. Its finalization has been delayed due to staff shortages in the Office of the Inspector General (OIG).</p>
<p>I recommend that IOM initiate the submission of an annual report on the internal audit activities conducted by the Office of the Inspector General to the appropriate organ of the Organization. The report could include details on the preparation and implementation of the audit plan based on risk analysis, important results of the audits, status of implementation of internal audit recommendations and any limitations faced when implementing the internal audit mandate.</p>	<p>Ongoing: It was stated that a full report on the work of the internal audit function for 2012 would be presented to the Member States during the course of 2013. A performance review of the oversight mechanism has been conducted this year; several recommendations are indicated in the current report.</p>	<p>OIG will present its first report to the current session of the Standing Committee on Programmes and Finance; the report will focus on all OIG functions.</p> <p>For 2014, the content of the report will be adjusted on the basis of the comments received from Member States.</p> <p>Regarding the performance review of oversight mechanisms, please refer to first part of the present report.</p>



Recommendation	Assessment by the External Auditor as to the status of implementation (CRP/40)	IOM comments
I recommend that IOM review the uninvoiced receivables in respect of projects which have been completed and provide for doubtful and uncollectable debts as per the accounting policy.	Ongoing: The position of uninvoiced receivables showed improvement as at December 2012.	Ongoing as part of the project balance review exercise conducted four times per year.
I recommend that project accounts be adjusted as soon as possible after the closure dates and credit balances be returned to donors or transferred to appropriate accounts/projects.	Ongoing: Progress has been made by IOM in this regard.	Ongoing as part of the project balance review exercise conducted four times per year.
I recommend that the Administration periodically review the down payments made to various vendors through an ageing analysis and the outstanding advances should be recovered within a stipulated period to rule out any possibility of losses to the Organization.	Ongoing: Progress has been made by IOM in this regard, with the release of a vendor ageing report.	Ongoing as part of the Country Offices' monthly accounting closure requirements and centrally reviewed two to four times per year, depending on the assessed risk level of the Country Office.
I recommend that IOM ensure the implementation of instructions regarding periodic cash verification at offices as this important internal control measure is necessary for detecting fraud or misappropriation of cash.	Ongoing: Although offices were reminded to undertake surprise cash counts, this was not done in some offices.	The 2013 year-end accounting instructions will include the requirement of providing evidence of surprise cash counts conducted throughout the year.
I recommend that, in order to have an effective asset management system in place, internal controls in respect of physical verification, custody and disposal of assets need to be strengthened at IOM offices.	Ongoing: Cases of deficient asset management have been observed in Field audits and reported in this report. This recommendation has been reiterated in the current report.	It should be noted that strengthening IOM's capacity vis-à-vis asset management is contingent upon approval by the Council to increase IOM's core resources within the context of the Member States-led budget reform initiative.

Recommendation	Assessment by the External Auditor as to the status of implementation (CRP/40)	IOM comments
<p>I recommend that IOM take measures to put in place a strong monitoring mechanism so as to ensure adherence to the procurement policy guidelines at all levels. The constraints at the Field Procurement Unit need to be examined and the Unit strengthened so that it can play its designated role. PRISM should be suitably modified to incorporate the business rules relating to procurement procedure. IOM may consider designing a separate mechanism for procurements in emergency situations given that the Organization does considerable work in such situations.</p>	<p>Ongoing: Field audits during this year on procurement revealed a number of weaknesses in procurements. This recommendation has been reiterated in the current report.</p>	<p>It should be noted that strengthening the Field Procurement Unit's capacity is contingent upon approval by the Council to increase IOM's core resources within the context of the Member States-led budget reform initiative.</p>