



(ANNEX IV)

OIC/FCO-33/REP

**33rd REPORT OF THE FINANCE CONTROL ORGAN
OF THE ORGANISATION OF ISLAMIC COOPERATION
ON
THE CLOSING ACCOUNTS OF THE OIC GENERAL
SECRETARIAT
AND ITS SUBSIDIARY ORGANS
FOR THE FINANCIAL YEAR 2011
ENDING ON 31/12/2011**

PART I

**THE FCO'S TECHNICAL REPORT
ON ITS 33rd REPORT
FOR THE FISCAL YEAR 2011**

The FCO's Technical Report on its 33rd Report for the Fiscal Year 2011

Pursuant to paragraph 3 of article 31 of the OIC Charter, and in implementation of the provisions of articles 10-6, 10-7, 10-12 and 10-13 of the OIC Financial Regulations, the FCO proceeded with the audit of the financial statements contained in the closing accounts and of the statutory disbursement supporting documents as at 31/12/2011 for the following organs:

- ✓ The OIC General Secretariat in Jeddah, Kingdom of Saudi Arabia,
- ✓ Special Funds of the General Secretariat in Jeddah, Kingdom of Saudi Arabia,
- ✓ The International Islamic Fiqh Academy in Jeddah, Kingdom of Saudi Arabia,
- ✓ The Islamic Solidarity Fund (ISF) in Jeddah, Kingdom of Saudi Arabia,
- ✓ The Islamic Centre for the Development of Trade in Casablanca, Morocco,
- ✓ The Islamic University in Dhaka, Bangladesh,
- ✓ The Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) in Ankara, Turkey,
- ✓ The Research Centre for Islamic Research, Art and Culture (IRCICA), Istanbul, Turkey.

The audit was conducted in accordance with the provisions of the OIC Charter, Financial Regulations and Personnel Regulations, as well as the resolutions adopted by the Council of Foreign Ministers, and in line with recognized accounting and audit standards, to obtain reasonable assurance that the financial statements are free of material misstatement. The audit consisted of a selective examination of records and supporting documents of the sums disbursed and the financial explanations contained in the financial statements. The audit also included an evaluation of the accounting principles applied.

The FCO believes that this audit provides an appropriate ground for the following technical opinion:

The financial statements of the General Secretariat and some subsidiary organs do not represent fairly their financial positions and the results of their financial operations and cash flows as at 31/12/2010, for failure to implement the provisions of the Financial Regulations as regards the formation of reserves.

PART II

FCO OBSERVATIONS

I - The General Secretariat

1. The cash surpluses realized at the end of the financial year 2010 were not transferred to the Reserve Account in the Bank.
2. The General Secretariat re-contracted a number of its retired staff members.
3. Absence of the report of the Internal Auditor of the General Secretariat and his observations about the financial year.
4. Failure by the General Secretariat to adhere to its replies to the PFC.
5. Reoccurrence of the names of staff members who obtained additional increments (two increments) at the end of the year for three consecutive years.
6. Additional increments were granted in violations of the Personnel Regulations (three steps).
7. The General Secretariat failed to abide by the FCO's directive concerning the latter's participation in the negotiations for the purchase of buildings for the General Secretariat outside the headquarters State.
8. The General Secretariat, represented by the Department of Humanitarian Affairs, collected donations in favour of the General Secretariat's Assistance Fund for Somalia. As at 31/12/2011, the amount stood at US\$ 4,517,783.38 through voluntary contributions from the Member States. This is in addition to the fund-raising campaign carried out inside Saudi Arabia to collect funds from individuals.

PART III

VIEWS AND RECOMMENDATIONS OF THE FINNACE CONTROL ORGAN

I – General Secretariat (Jeddah):

- 1) Cash surpluses were not transferred to the reserve account at the end of 2010 financial year. The result of this is that the amount transferred to the reserve account at the end of 2011 financial year is incorrect. The FCO found that this amount which must be deposited in the reserve account in the Bank is US\$2,003,293.45.
- 2) The General Secretariat entered into contracts with several of its employees after the end of their regular service as consultants and experts in accordance with Article 14.1. One of them was contracted for a position approved in the budget in violation of Article 13.3 of the OIC Personnel Regulations. The General Secretariat should have notified Member States about this vacancy so that it can be applied for. One of those contracted was made director of a department, whereas contracted staff should not be given supervisory positions.
- 3) The FCO observed the absence of the report of the Secretariat's Internal Auditor, following the resignation of the former Internal Auditor, in contravention of Article 10.3 of the Financial Regulations.
- 4) The General Secretariat did not abide by the responses it presented to the Permanent Finance Committee, as previous observations were repeated. The most important of these observations are failure to transfer to the reserve account and failure to prepare a second row of staff to carry out administrative and financial duties. This is very evident in the fact that although the budget provides for permanent positions a Department Director is engaged on a contractual basis. The FCO believes that a policy must be put in place to replace those whose services have statutorily finished with staff from second row, and to avoid principal positions being monopolized, which could lead to frustration among employees who are ambitious to progress towards supervisory positions.
- 5) The FCO observed recurrence of some names that were given additional increment (2 increments). This creates gap among staff and a feeling of frustration for the courtesies given to their colleagues who received these increments.

- 6) The FCO observed that some employees received 3 increments in contravention of Article 46 of the Personnel Regulations.
- 7) The General Secretariat did not adhere to the directives of the FCO that the Organ should be involved in purchasing negotiations when buildings are being bought abroad for the General Secretariat, as the FCO was not involved in the processes for purchasing the Brussels building.
- 8) The Department of Humanitarian Affairs in the General Secretariat collected donations from individuals in the Kingdom in violation of the resolutions of the ministerial council and of the role entrusted to it in humanitarian work. This led to the freezing of the donations account with a balance of more than 1 million Saudi Riyals.

II. The Islamic centre for the Development of Trade (Casablanca)

- 1) A reserve account was not opened as recommended by the FCO in its last report.
- 2) There is no Internal Controller in the Centre in contravention of Article 10.4 of the Financial Regulation which provides that: "Internal control in the subsidiary organs shall be entrusted to an Internal Controller who shall administratively report to the Director General of the relevant subsidiary organ directly."
- 3) Miscellaneous chapter (2100) and programme of activities (5000) were not categorized to enable knowing and tracing what was disbursed
- 4) Some staff salaries were paid from the chapter on activities (5000) instead of disbursing it from chapter 1 staff emoluments. This does not give a clear picture of staff salaries.
- 5) The positions of accountant and cashier in violation of instructions and financial regulations on the separation of competencies.

III. The International Islamic Fiqh Academy (Jeddah)

- 1) A reserve account was not opened as recommended by the FCO in its last report.
- 2) There is no Internal Controller in the Centre in contravention of Article 10.4 of the Financial Regulation which provides that: "Internal control in the subsidiary organs shall be entrusted to an Internal Controller who shall administratively report to the Director General of the relevant subsidiary organ directly."

IV. The Islamic Solidarity Fund (Jeddah)

- 1) A reserve account was not opened as recommended by the FCO in its last report.
- 2) There is no Internal Controller in the Centre in contravention of Article 10.4 of the Financial Regulation which provides that: "Internal control in the subsidiary organs shall be entrusted to an Internal Controller who shall administratively report to the Director General of the relevant subsidiary organ directly."
- 3) Inappropriate usage of advances, which were given to some staff members at treatment allowance.

V. The Research Center for Islamic History, Art and Culture (Istanbul)

- 1) A reserve account was not opened as recommended by the FCO in its last report.
- 2) There is no Internal Controller in the Centre in contravention of Article 10.4 of the Financial Regulation which provides that: "Internal control in the subsidiary organs shall be entrusted to an Internal Controller who shall administratively report to the Director General of the relevant subsidiary organ directly."
- 3) Five transfers were made from chapter 3000 to chapter 5000 with the approval of the Director General of the Centre, in violation of Article 5.8. It was not clear whether there was an authorization from H.E. The Secretary General to the Director General of IRCICA to make such transfers.
- 4) Non-adherence to Article 8.8 of the OIC Financial Regulations which provides that: "Financial book entries based on payment, receipt or transaction vouchers should be made by continuous and consecutive voucher numbering so that the system should not allow to enter, in between, any back-dated vouchers later on."

VI. The Islamic University of Technology (Dhaka)

- 1) A reserve account was not opened as recommended by the FCO in its last report.
- 2) There is no Internal Controller in the Centre in contravention of Article 10.4 of the Financial Regulation which provides that: "Internal control in the subsidiary organs shall be entrusted to an Internal Controller who shall administratively report to the Director General of the relevant subsidiary organ directly."
- 3) A new salary table was introduced with effect from July 2010 without any statutory basis, whereas the previous table was provided for by the Personnel Regulation of staff and approved by ministerial conference of 2005, which is higher than the internal committee that issued this table in 2010. This observation has been recurring since previous report.

- 4) The said salary scale is not applied to the University Rector whereas it is applied to all other members of staff without any statutory basis. This is also a recurrent observation.
- 5) Professional and administrative categories staff were employed by the University Rector in violation of Article 13.5 of the OIC Personnel Regulation which stipulates that: "Appointments to the posts of professional and administrative services shall be made by the Secretary General on the basis of observing the principle of equitable geographical regional distribution and in accordance with the Qualification Rules attached to the present Regulation." It was not clear to FCO that any authorization of this power to the Rector exists.
- 6) The FCO observed that a number of deposit bank accounts were opened which generate profits without any legal justification for opening them.

VII. THE STATISTICAL, ECONOMIC, AND SOCIAL RESEARCH AND TRAINING CENTER FOR THE ISLAMIC COUNTRIES (ANKARA)

- 1) A reserve account was not opened as recommended by the FCO in its last report.
- 2) There is no Internal Controller in the Centre in contravention of Article 10.4 of the Financial Regulation which provides that: "Internal control in the subsidiary organs shall be entrusted to an Internal Controller who shall administratively report to the Director General of the relevant subsidiary organ directly."

PART IV
FINANCIAL INDICATORS

Part IV**Financial Indicators****I- General Secretariat:****1- Revenues:**

Mandatory Contributions for 2011:	20,411,234.00
Contributions from previous years: (Arrears)	2,159,034.00
Miscellaneous Income:	246,672.00
Voluntary Contributions:	250,000.00
Total Revenues:	23,066,940.00
Total Expenditures:	25,395,276.00
Revenue Deficit:	2,328,336.00

2- End-of-service Fund

Contributions of the General Secretariat from 1/7/2004 to end of 2011	20,779,467.00
Bank Deposit Income:	678,439.00
Indemnities paid to staff members:	9,341,894.00
Balance of the End-of-service Fund:	12,116,012.00
Cash in the bank:	10,956,381.00
General Secretariat Accounts Payable:	1,159,631.00
	<u>12,116,012.00</u>

3- Reserve Fund

According to the General Secretariat's data		According to FCO's data	
Cash in the bank:	126,490.98	Cash in the bank:	126,490.98
Receivables:	758,663.82	Accounts Payable:	758,663.82
	<u> </u>	Cash surplus 2001:	1,118,138.65
	885,154.80		<u> </u>
General Secretariat Contributions:	314,752.35	Cash balance:	2,003,293.45
Income from Banks:	570,402.45		<u> </u>
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	885,154.80		

(Supposed to be deposited in the reserve bank account).

SPECIAL FUNDS:**4- Al Quds Fund:**

Investment account held with the IDB:	2,562,606.72
Investment account held with Al Arabi Bank:	121,448.86
Cash balance at bank:	2,684,055.58

5- Account of the Ministerial Conference on Refugees

From Member States:	700,000.00
Islamic Call Society:	29,950.00
UN High Commission of Refugees	30,000.00

Total of collected contributions:
759,950.00

Bank income:	34,835.76
Total available:	794,785.76
Expenditures:	(71,042.95)
Balance as at 31/12/2011:	723,743.17

Cash Balance:

SAMBA Jeddah:	126,884.10
Islamabad (MCB):	559,805.76
Islamabad (MCB):	1,053.31
Total:	723,743.17

6- Niger Food Self-sufficiency Fund:**Contributions:**

Member States:	4,655,634.80
Individuals:	541,239.35
Total collected:	5,196,874.15
Expenditures:	1,759,195.79
Balance as at 31/12/2011:	3,437,678.36

Cash in banks:

SAMBA Jeddah:	3,397,078.36
Niger:	40,600.70

7- Assistance Funds:

Humanitarian assistance contributions:	3,745,608.56
Miscellaneous cash contributions:	750,853.14
Miscellaneous amounts received:	26,899.23
Total collected:	5,985,631.42

Expenditures:	2,251,568.41
Balance as at 31/12/2011:	*3,734,063.01
Cash balance:	
Balance at banks:	2,126,667.34
Cash:	443.55
Total:	2,127,110.89
Receivables:	2,390,672.49
Total:	*4,517,783.38

There is a shortage in the cash balance of these funds and the FCO noted that the difference is registered in the receivables account and that on 31/12/2011 the total balance is greater than the balance of these funds.

II- Islamic Center for the Development of Trade (ICDT), Casablanca.

Revenues:	
Balance carried forward on 1/1/2011:	1,425,269.17
Contributions 2011:	1,272,290.00
Arrears of contribution before 2011:	146,770.00
Voluntary contributions:	65,296.25
Miscellaneous income:	26,922.39
Total resources available:	2,936,547.81
Total expenditures in 2011:	1,570,671.77
Surplus as at 31/11/2011	
(to be carried forward to the reserve account:)	1,365,876.04
Balance of the end-of-service fund as at 31/12/2011:	US\$ 951,908.00
Contributions received in advance:	US\$ 39,016.00

III- International Islamic Fiqh Academy:

Surplus carried forward from 2010:	2,962,909.35
Deficit in 2011:	66,761.97
Net cash surplus and corresponding bank account balance:	2,896,147.51
Amount to be transferred to the reserve account:	US\$ 2,896,147.51
End-of-service fund balance as at 31/12/2011:	US\$ 931,720.57
Balance of contribution arrears:	US\$ 14,064,879.00

IV- Islamic Solidarity Fund (ISF):

1- Waqf:

The capital of the ISF waqf account amounts to US \$76,251,411.32, 98.55% of which is invested with the IDB, 0.77% with Al Baraka Banking Group, 0.64% with the Social Investment Bank in Bangladesh (Dhaka), and 0.04% with Al-Rajhi Banking and Investment Corporation.

2- Aids account (follow up of projects)

Balance as at 1/1/2011:	272,565.00
Donation by Libya:	1,003,007.83
Amount transferred as investment with the IDB:	501,500.00
Amount transferred to current account to follow up projects:	100,000.00
Expenditures on project follow up:	2,133.33
Balance as at 31/12/2011:	671,939.50

3- End-of-service indemnity allocations:

Balance as at 1/1/2011:	173,238.50
Disbursed end-of-service indemnity:	18,360.00
End-of-service indemnity for 2001:	62,000.00
Proceeds of the investment deposit:	2,080.08
Balance as at 31/12/2011:	218,958.41

4- Revenues

2011 contributions:	682,288.66
Contribution arrears from previous years:	384,000.00

Total revenues: 1,066,288.66

Total Expenditures: 747,071.92

Budget surplus to be carried forward
to the reserve account: 319,216.74

5- Contribution arrears total: 1,602,000.00

V- Research Center for Islamic History, Art and Culture (IRCICA)**1- Revenues:**

Cash surplus from 2010:	259,185.23
Collected 2011 contributions:	2,262,916.74
Arrears of contributions before 2011:	915,852.29
Other revenues:	89,701.03
Total revenues:	3,564,655.29
Total expenditures:	3,525,385.90
Net cash available as at end of 2011, to be carried forward to the reserve account:	39,269.39

2- Donations Fund:

Balance as at 1/1/2011:	4,823,627.15
Bank proceeds:	126,207.94

Total:	4,949,835.09
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Expenditures:	21,835.50
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Balance as at 31/12/2011:	4,928,080.59
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3- End-of-service indemnity account:

Cash balance as at 1/1/2011:	3,447,504.82
Funding from the reserve account:	280,000.00
Revenues from the bank accounts of the various funds:	99,608.72

Total:	3,827,113.54
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End-of-service indemnity as at 31/12/2011:	316,093.00
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Balance of the end-of-service indemnity account as at 31/12/2012:	3,511,020.45
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The FCO noted that there is funding from a reserve fund whereas IRCICA's accounts do not include a reserve fund. In addition, the proceeds of the funds' bank accounts served to finance this account whereas the proceeds of each account should be added to the corresponding fund. The FCO could not find out what these funds are, nor the sources of their funding and the disbursements made from them.

VI- Islamic University (Dhaka):**1- Revenues:**

Cash balance as at 1/1/2011:	1,100,060.33
Member States' contributions for 2011:	2,046,596.02
Arrears before 2011:	122,499.26
Donations by the Republic of Bangladesh:	5,720.00
Miscellaneous revenues:	561,871.26
Total income 2011:	3,836,746.87
Total expenditures 2011:	3,753,789.45
Surplus transferred to the reserve:	82,957.42

2- Available liquidity:

Cash-on-hand:	5,093.74
Cash in the bank:	1,937,433.00
University's investments	1,627,110.02

(investments to pay the loan of the University to the IDB)	1,661,046.16
End-of-service Fund:	1,461,248.14
Investments school fees paid in advance:	2,059,412.39

Cash liquidity available as at 31/12/2011:	8,751,343.18
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Contribution arrears:	17,21 million US\$.
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End-of-service indemnity:

The FCO noted that the closing accounts mentioned that it was not possible during the 2011 financial year to secure the needed amount to pay the dues of staff after the end of their service because the budget was not adequate.

Account taken of this justification, the end-of-service indemnity is paid from the end-of-service fund not from the budget of the institution. Having reviewed the University's financial data, it was found out that the balance of the end-of-service fund amounts to US\$ 1,461,248.14, whereas the fund's total dues amount to US\$ 984,066.75.

VII- Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRIC), Ankara.**Revenues:**

Contributions of 2011:	1,766,689.00
Revenues from book sales:	2,361.00
Miscellaneous revenues:	195,456.00
Total Revenues:	1,964,506.00
Total Expenditures:	1,555,085.00
Surplus from 2011 to be carried forward to the reserve account:	409,505.00
Balance of the end-of-service fund as at 31/12/2011:	416,465.69
Reserve fund balance as at 31/12/2012:	2,500,792.89

Fund for the construction of the new SESRIC premises as at 31/12/2012:	3,434,744.53
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Chairman of the Finance Control Organ (FCO)
Fahd Abdullah Addukkan
Organization of Islamic Cooperation.