



OIC/FCO-34/2013/REP

**DRAFT 34<sup>th</sup> REPORT OF THE FINANCE CONTROL  
ORGAN (FCO)  
OF THE ORGANISATION OF ISLAMIC COOPERATION  
ON  
THE CLOSING ACCOUNTS OF THE OIC GENERAL  
SECRETARIAT AND ITS SUBSIDIARY ORGANS  
FOR THE FINANCIAL YEAR 2012  
ENDING ON 31/12/2012**

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Jeddah on

**Your Excellency the Secretary General of the Organisation of Islamic Cooperation**

*Assalamu Alaykum Wa Rahmatu Lahi Wa Barakatuh*

Upon the invitation of the General Secretariat of the Organisation of Islamic Cooperation, pursuant to the provisions of articles 10-6 and 10-9 of the OIC Financial Regulations on the convening of the OIC Finance Control Organ (FCO) at the headquarters of the General Secretariat in Jeddah to audit the closing accounts of the General Secretariat and its Subsidiary Organs for the financial year 2012 ending on 31/12/2012;

Following the conclusion of the work and meetings of the FCO in its 34<sup>th</sup> session held at the General Secretariat headquarters in Jeddah from 10/04/1434H to 21/04/1434H (03/03/2013 to 14/03/2013), in accordance with its rules of procedure and pursuant to article 10-11 of the Financial Regulations;

Whereas the financial reports were discussed with the officials of the General Secretariat and the Subsidiary Organs in terms of observations, queries and requests of explanations during the meetings of the FCO;

In accordance with the provisions of article 10-14 of the OIC Financial Regulations on the method of submission of the FCO report to the Permanent Finance Committee;

I herewith submit to Your Excellency the FCO's 34<sup>th</sup> report on the OIC as a single administrative unit composed of the General Secretariat and the subsidiary organs. The report includes the FCO's technical accounting report on the financial results of the OIC for the year 2012, and the major financial indicators at the end of the year for every administrative unit independently. The report also includes the FCO's recommendations deemed necessary to address the observations made following the audit. These recommendations are also necessary for the improvement, modernisation and development of executive working methods of all OIC organs. These recommendations are submitted to Your Excellency in a comprehensive manner in your capacity as the Chief Executive Officer of the OIC in accordance with your statutory powers and pursuant to the provisions of articles 16 and 17 of the Charter.

The FCO would like to underscore the importance of the observations contained in the report on the OIC General Secretariat and subsidiary organs, as they refer to errors and do not represent the true financial position.

At the end of the FCO's work, I would like, on behalf of all its members, to express our thanks and appreciation to Your Excellency and to all the officers of the

General Secretariat and the subsidiary organs, for their sincere and constructive cooperation with the FCO. This cooperation has been instrumental in the preparation of the present report with its recommendations aimed mainly at achieving the Organisation's objectives and aspirations.

Please accept the assurances of my highest consideration.

**The Chairman of the Finance Control Organ,  
Director General of the Department of Public Accounts**

**Fahd bin Abdullah Al-Dukkan**

## **INTRODUCTION**

Upon the invitation of the OIC General Secretariat to the Finance Control Organ to hold its session in order to audit the closing accounts of the General Secretariat and its Subsidiary Organs for the financial year 2012 ending on 31/12/2012, the FCO held its 34<sup>th</sup> session at the headquarters of the General Secretariat in Jeddah from 10/04/1434H to 21/04/1434H (03/03/2013 – 14/03/2013), consistent with its Rules of Procedure. This session was attended by the FCO members whose names follow:

### **1. *Kingdom of Saudi Arabia***

- ✓ Mr. Fahd bin Abdullah Al-Dukkan,  
Director General of the Department of Public Accounts, Ministry of Finance
- ✓ Mr. Saleh bin Muhammad Al-Mahmad,  
Financial Adviser, Ministry of Finance
- ✓ Mr. Dakhil bin Abdullah Al Dakhil,  
Economic Adviser, Ministry of Finance

### **2. *Republic of Cameroon***

- ✓ Mr. Mouliom Ibrai,  
First Secretary, in charge of economic and financial affairs, Consulate General of Cameroon, Jeddah
- ✓ Mr. Mbou Mbou Soulemanou,  
First Secretary, Embassy of Cameroon, Riyadh

### **3. *State of Kuwait***

- ✓ Mr. Faysal Al Mateeri,  
Director of the Planning and Finance Control Office, Ministry of Finance
- ✓ Mr. Mishal Al Aridi,  
Controller of International Organisations, Ministry of Finance

### **4. *Republic of Senegal***

- ✓ Mr. Ismael Sidi Be,
- ✓ Mr. Sidna Babakar Diouf,

### **5. *Republic of Cote d'Ivoire***

- ✓ Mr. Dombia Yacoba,

**6. *Libya***

- ✓ Mr. Ahmed Abulgassim Al Marghani,
- ✓ Mr. Shukri Sadik ben Hamida,

**7. *Republic of Turkey***

- ✓ Mr. Murat Wural,  
Tax Inspector
- ✓ Mr. Harun Kuc Tabeh,

**8. *Malaysia***

- ✓ Mr. Sharul Nizam bin Sabri,  
Assistant to the Director of the Audit Department
- ✓ Mr. Razli B. Muhammad Razli,  
Assistant to the Director of the Audit Department

**9. *Qatar:***

- ✓ Mr. Ali Ahmed Ali Galamarzi,  
Finance Controller, Adviser to the Ministry of Foreign Affairs
- ✓ Mr. Khalifa Najib Khalifa Sada,

**10. *Iran:***

- ✓ Mr. Muhammad Haji Agha Bozorki
- ✓ Mrs. Zahraa Irshadi.

The Director General of Administration and Finance of the General Secretariat opened this session with an address welcoming the FCO members, on behalf of H. E. the Secretary General, wishing them a pleasant stay in Jeddah and success in their work.

After the selection of the head of the Saudi delegation, Mr. Fahd bin Abdullah Al-Dukkan, the Director-General of the Department of Public Accounts at the Ministry of Finance, as Chairman of the FCO for the current session, the FCO proceeded with its functions in accordance with article 10-11 of the OIC Financial Regulations.

In accordance with the instructions defining the functions and competences of the FCO set out in its Rules of Procedure, and pursuant to articles 10-12 and 10-13 of the OIC Financial Regulations, the FCO would like to state that this report was prepared as a single integrated report of the OIC in conformity with the standards of disclosure and transparency so as to achieve its objectives. The report consists of the following parts:

**Part I: FCO Technical Report**

This part covers the technical opinion about the 2012 financial results of the OIC as an integrated administrative unit.

**Part II: FCO Observations and Recommendations**

It covers the FCO's observations resulting from the audit of the closing accounts of the OIC General Secretariat and its subsidiary organs classified according to organs, along with the relevant FCO recommendations.

**Part III: Financial Indicators**

This part contains the financial data relating to the activities of the OIC General Secretariat and the subsidiary organs.

**Part IV: FCO General Comments and Opinion**

This part includes the general comments of the FCO on the General Secretariat and its subsidiary organs. These comments will be submitted to the Permanent Finance Committee (PFC) for adoption and will be communicated to the OIC General Secretariat and Subsidiary Organs in order to comply with them. This part also provides the results of the control conducted by the FCO taking each unit independently. The FCO wishes to underscore the importance of the recommendations and the need to implement them while submitting them to the Permanent Finance Committee in an integrated manner for adoption so they may be implemented by the different OIC organs.

**The Chairman of the Finance Control Organ**

**Fahd bin Abdullah Al-Dukkan**

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**PART I**

**THE FCO'S TECHNICAL REPORT  
FOR THE FISCAL YEAR 2012**



Pursuant to paragraph 3 of article 31 of the OIC Charter, and to the provisions of articles 10-6, 10-7, 10-12 and 10-13 of the OIC Financial Regulations, the FCO audited the financial statements contained in the closing accounts and the statutory disbursement supporting documents as at 31/12/2012 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 Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) in Ankara, Turkey;
- ✓ The Islamic Centre for the Development of Trade in Casablanca, Morocco;
- ✓ The Research Centre for Islamic Research, Art and Culture (IRCICA), Istanbul, Turkey;
- ✓ The Islamic Solidarity Fund (ISF) in Jeddah, Kingdom of Saudi Arabia;
- ✓ The Islamic University of technology in Dhaka, Bangladesh.

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 misstatements. 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 holds the opinion that the financial statements of the OIC General Secretariat and subsidiary organs do not represent fairly their financial positions and the results of their financial operations and cash flows as at 31/12/2012, for failure to implement the provisions of the Financial Regulations as shown in the following observations:

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**PART II**

**FCO OBSERVATIONS AND  
RECOMMENDATIONS**

## **I - The General Secretariat**

1. The FCO noted that the review of the cash balances of the special funds of the General Secretariat shows that certain amounts were registered as liabilities on the General Secretariat in favour of those funds (end of service fund, humanitarian assistance funds, account of the Ministerial Conference on Refugees) totaling US\$4,121,188.17 resulting from the accumulation of this balance over years. This means that the cash savings and expenditures are not real and that some expenses were incurred outside the framework of the budget.

### Recommendation

The FCO is of the opinion that these liabilities and cash surplus realized at the end of the past two financial years (2011 and 2012) in excess of those obligations and which have been transferred to the reserve account do not represent the real financial position of the General Secretariat. Moreover, because of that, the funds concerned (particularly the end of service fund) have missed investment opportunities which they need badly to increase their balances.

2. The FCO noted that the cash surplus realized at the end of the financial year 2012, amounting to US\$3,372,458.05 was not added to the reserve account at the end of the financial year and that this action will be taken in the next financial year. The reason is that the reserve account is deposited with the IDB and, usually, at the beginning of each financial year, the General Secretariat needs cash liquidity to cover the expenditures until contributions are received from Member States. This cash balance is utilized in case of need and then the amounts spent are returned when contributions are received from Member States.

### Recommendation

The FCO, while respecting the justification that the previous year's surplus is utilized to cover expenditure of the new year until contributions are received, holds the view that this should be in accordance with the Financial Regulations by opening a bank account where the surplus is deposited as a reserve and then transferred to the following year and could be utilized in case of need in accordance with the provisions of the Financial Regulations. At the end of the financial year, the balance is deposited in the reserve account in the IDB and could be also invested in the bank as a short-term deposit. Hence, the reserve will appear in the closing accounts in its real nature and will include the amounts deposited at the IDB and the commercial bank where the account is opened.

3. There are liabilities in the account of the humanitarian assistance fund resulting from lack of disbursement supporting documents and some reservations concerning the nature of expenditure in certain cases as stated in the report of the Internal Auditor without mentioning these expenditures.

### Recommendation:

The General Secretariat must abide by the resolutions adopted by the Council of Foreign Ministers and the recommendations of the Permanent Finance Committee

concerning the role of the Department of Humanitarian Affairs (ICHAD). The OIC Financial Regulations must apply to the amounts disbursed to ICHAD or in return for its activities.

4. The FCO has realized some observations that their coverage within the provisions of the Personnel Regulations were not clear on its review of the latter, such as:
  - Setting quotas for posts according to Member States' respective contributions;
  - Recovering the allowance disbursed in advance when it turns out they are not accurate or needed;
  - Processing of the staff members' absence hours;
  - The Organisational structure of the General Secretariat.

Recommendation:

The FCO is of the view that the Personnel Regulations should be amended and reviewed and that the General Secretariat should propose the relevant amendments to account for the abovementioned observations for submission to the Permanent Finance Committee which will make the relevant recommendation to the Council of Foreign Ministers.

5. The FCO noted the lack of well-defined and unified regulations for contracting in the General Secretariat and its subsidiary organs to protect the rights of the Organisation and its subsidiary organs and of their contractual staff.

Recommendations:

Contracting rules should be proposed by the General Secretariat and submitted to the PFC for consideration and recommendation to the CFM.

6. The FCO noted that the arrears of mandatory contributions of Member States have exceeded the amount of the approved budget for 2012, and the same holds true for the subsidiary organs.

Recommendations:

The FCO reaffirms its previous recommendation that the General Secretariat should prepare a study to address the issue of arrears for submission to the PFC for recommendation to the CFM.

7. The Director of the Geneva Office was appointed without informing Member States about the vacancy pursuant to articles 15-8 and 16-1 of the Personnel Regulations.

Recommendation:

The Personnel Regulations should be respected when a post, such as the one mentioned above, falls vacant and needs to be filled. Member States should be informed about the vacancy and the previous recommendation of the FCO, that supervisory and executive posts adopted in the budget should not be filled on a contractual basis, must be abided by.

## **Humanitarian Affairs Department (ICHAD)**

As the FCO has noted an expansion of the activities of ICHAD and that the Department is carrying out activities that are not part of its mandate as stipulated in Resolution n. 11/35 creating the Department, it would like to provide its observations concerning ICHAD independently as part of this report and recommendations.

1. The FCO noted that the expenses incurred by this department do not conform with the OIC Financial Regulations and do not obey any specific regulations. This has created liabilities in the account of the humanitarian assistance fund as a result of some reservations expressed by the Department of Administration and Finance concerning the nature of these expenses and the lack of disbursement supporting documents.

### Recommendation:

The Department should stick to its role, which is the coordination of humanitarian assistance and leave the financial matters to those concerned in the Finance Department.

2. Two staff members of the Department working in the General Secretariat were hired in 2010 on a contractual basis and are still working although their contracts have not been renewed.

### Recommendation:

As mentioned in the previous observation, each department of the General Secretariat should perform the tasks assigned to it within its mandate.

3. The Department opened a field office in Yemen, knowing that no cash donation has been received and therefore no activity of the Department is required in that country. The amount of US\$79,950 has been spent.

### Recommendation:

The FCO is of the opinion that rules to govern the field operations of ICHAD should be prepared and adopted by the CFM.

4. While examining the disbursement documents for the salaries of the OIC Office in Somalia, The FCO noticed a discrepancy in the amounts of salaries disbursed monthly and the lack of contracts for the Office personnel. This is in addition to the violation of the Personnel Regulations by paying the end-of-service indemnity to a group of contractual staff. Moreover, cheques are disbursed with just one signature, which is a violation of the Financial Regulations which require two signatures on the cheque.

### Recommendation:

The Department of Humanitarian Affairs must abide by the statutory role assigned to it and leave the administrative and financial matters to the competent departments of the General Secretariat.

5. The FCO noted that the Department of Finance at the General Secretariat did not know about the disbursements made by ICHAD from the amounts disbursed to it, and that the latter has no regulations for disbursement. It also noted the need to provide disbursement documents for inclusion in the financial operations of the General Secretariat in accordance with the Financial Regulations.

Recommendation:

The OIC Financial Regulations should be abided by and disbursement should be made directly by the Finance Department to the beneficiary so that all expenditures are made in accordance with the provisions of the Financial Regulations.

6. The FCO noted that the Department of Humanitarian Affairs has gone beyond the role for which it has been established, namely the coordination of humanitarian assistance in Member States to the supervision and distribution of this assistance received by the General Secretariat. This creates overlap with the activity of the Islamic Solidarity Fund (ISF), which is a subsidiary organ of the OIC whose main activity is to distribute humanitarian assistance to Islamic States in need.

Recommendation:

The FCO is of the opinion that ICHAD should stick to its role, namely the coordination of humanitarian assistance in Islamic States in line with its goals, responsibilities and roles, and leave the distribution of assistance to the organ that is specialized and equipped for that task, i.e. the Islamic Solidarity Fund.

## **II – The International Islamic Fiqh Academy (IIFA)**

1. The FCO noted that US\$113,163 was withdrawn from the reserve account and never returned to it.

Recommendation:

Pursuant to the Financial Regulations, it is allowed, in case of need, to withdraw amounts from the reserve account to cover necessary expenditure, provided the amounts withdrawn are returned to the reserve account when the cash liquidity becomes available. Since it was not available in the last financial year (2012), the FCO is of the opinion that it should be returned from the contributions of the current financial year (2013).

2. The FCO noted overspending, the difference being covered from the reserve account.

Recommendation:

The FCO is of the view that more effort should be made to rationalize spending and defer unnecessary expenses to the time when income is available to cover them, without affecting the normal running of business.

### **III – The Statistical, Economic, Social Research and Training Centre for Islamic Countries (SESRIC), Ankara**

1. The FCO noted that many official missions were conducted for reasons that are not convincing.

Recommendation:

There is need to abide by the Personnel Regulations concerning the designation of staff of subsidiary organs for official missions according to their professional rank.

2. Non-compliance with the rule of geographical distribution of employees

Recommendation:

Provisions of the Personnel Regulation on geographical distribution of employees should be complied with.

3. The FCO observed irregularities in the promotions and allowances procedures of contract staff.

Recommendation:

The FCO recommended in its observations to the General Secretariat the need to expedite drafting of rule for contract staff to be applied to both the General Secretariat and the OIC Subsidiary Organs which would cover their rights, obligations and privileges.

### **IV: Islamic Centre for the Development of Trade (Casablanca)**

1. The FCO observed that revenues other than mandatory contributions, such as voluntary contributions, services revenues, sales of publications and miscellaneous revenues in the Centre's revenues were not recorded.

Recommendation:

All observations made represent resources of the Centre that could be used as revenues to cover expenditure s during the financial year with the exception of voluntary contributions (donations) where they are earmarked and are expended for the stated purpose.

2. The position of accountant and cashier are not separated to fulfill the principles of financial oversight.

Recommendation

The FCO's directive of last year to separate the two positions is emphasized in order to fulfill the principles of financial oversight.

### **V: Research Centre for Islamic History, Art and Culture (Istanbul)**

1. In preparing the 2012 budget, staff allowances due for the same year were not taken into consideration. This required transfer from programme activities to staff emolument, in contravention of article (35) of the Personnel Regulation.

Recommendation:

The FCO is of the view that the provisions of the Personnel Regulation should be complied with during budget preparation in order to show approved expenditures as they truly are.

**VI: Islamic Solidarity Fund:**

1. Over disbursement from the miscellaneous account beyond the appropriated amount.

Recommendation:

Allocations should be complied with; regulations should not be violated in terms of disbursement and approval by the authorized person.

2. Price quotations were not presented during direct procurement of some items.

Recommendation:

The provision of presenting three prices in accordance with instructions on direct procurement should be complied with.

3. Al Jazeera Bank charges commissions on transfers while giving meager returns on deposits.

Recommendation:

The FCO is of the view that the ISF is not obliged to deal with Al Jazeera Bank. It thinks that quotation should be requested from other banks in order to get better privileges.

**VII: Islamic University of Technology (Dhaka):**

1. Three months rent discount was given on the shop upon the request of the tenant in contravention of the rent contract agreement.

Recommendation:

1. The contract is binding on the contracting parties. The tenant is supposed to have sufficient information about the condition of the university and its students before signing the contract. The FCO regards what took place as administrative violation which we hope will not be repeated. It is hoped that the rental cost agreed upon in the contract should be complied with.



2. In contravention of article 1.6 of the Financial Regulation, some funds were collected in cash and were not deposited in the bank account but were rather disbursed on sundry expenditures.

Recommendation:

The FCO calls for compliance with the Regulation because non deposit of these funds in the bank account facilitate stealing and non-inclusion in the University's resources.

3. There were no price quotations for some direct procurement.

Recommendation:

The FCO sees this as violation of the Regulation. The university administration should comply with purchasing instructions, especially for directing purchasing by providing prices quotations.

4. Non-compliance with article 2.7 of the Financial Regulation exemplified in cash disbursement in excess of US\$ 100.

Recommendation:

The FCO believes that Financial Regulation must be complied with in the university's financial transactions in fulfillment of the principles of financial oversight.

5. Travel costs were paid without a ticket showing that the journey was made.

Recommendation:

The FCO believes that the document to ascertain this spending is the travel ticket. The absence of a travel ticket means that the spending was either wrong or did not take place.

6. No lateness fine was imposed as required on the contract to sink a tube well.

Recommendation:

The FCO recommends compliance with contracts, especially sections relating penalties when violation occurs. It believes that the person behind non-imposition of the above-mentioned fine should be investigated.

7. Although there is was a cash surplus in 2011 and the FCO recommended that it should be transferred to the reserve account, the university did not do so and never opened a reserve account.

Recommendation:

The FCO still insists on its recommendations and the non-opening of a reserve account is a violation of the Financial Regulation. It has become clear to the FCO,

as a result of auditing the university's closing accounts, that there is large amount of cash that is not allocated to any particular expenditure. Examples of these are cash amount in the banks (US\$1,313,259) and the university's investment account (US\$2,994,100). Yet the university's financial indicators for 2012 show a cash deficit of US\$529,688.

## **PART III**

### **FINANCIAL INDICATORS**

**I- General Secretariat:**

Mandatory Contributions for 2012:	19.430.962.42
Contributions from previous years: (Arrears)	2.937.424.96
Voluntary Contributions:	6.750.000
Miscellaneous Income:	56.822.64
Services Income	<u>13.970</u>
Total Revenues:	<b>29.189.180.02</b>
Cash Surplus	3.372.458.05

**Reserve Fund**

Balance as at 1/1/2012	2.011.624.86
Surplus for 2012 financial year	3.372.458.05
Writing off of late Maiga's housing allowance	<u>(10.512.21)</u>
Total balance of Reserve Fund at the end of 2012	5.373.570.70

**End-of-service Fund**

<b>Balance as at 1/1/2012</b>	12.116.012.91
General Secretariat's Contributions	1.536.642.02
Bank Returns:	234.567.46
Indemnities paid to staff members:	<u>(520.855.35)</u>
Balance of the End-of-service Fund at year's end:	13.366.367.04

**Corresponding Cash Balance:**

Deposit at the Islamic Development Bank	11.190.948.69
General Secretariat Accounts Payable:	<u>2.175.418.35</u>
	13.366.367.04

**SPECIAL FUNDS:****Al Quds Fund:**

Investment account held with the IDB:	2.653.082.75
Investment account held with Al Arabi Bank:	121,448.86
Balance as at 31/12/2012:	<b>2.774.531.61</b>

**Account of the Ministerial Conference on Refugees****Balance as at 1/1/2012**

	723,743.17
From Member States:	591,206.83
Bank Returns	34,835.76
Total Available	1,349,785.76
Expenditure	300,207,91
UN High Commission of Refugees	30,000.00
Balance as at 31/12/2012:	1,049,577.85

**Corresponding Cash Balance:**

SAMBA Jeddah:	904,414.79
Islamabad (MCB):	9,805.76
Islamabad (MCB) Rupee:	1,053.31
Receivable Balance:	134,304.99
Balance as at 31/12/2012	<b>1,049,577.85</b>

**Niger Food Self-sufficiency Fund:**

Contributions received from Member States:	5,196,874.15
Expenditures:	2,083,500.69
Balance as at 31/12/2012	3,113,373.46

**Corresponding Cash Balance:****Cash at banks:**

	<b>3,112,727.47</b>
SAMBA Current Account Jeddah:	2,934,078.29
Niger Current Account:	14,335.26
Niger Project:	164,313.92
Receivable (Mrs Bibar Abu Dili)	645,99
Balance as at 31/12/2012:	<b>3,113,727.47</b>

**Humanitarian Assistance Funds:**

Amount collected	17,605,192.20
Humanitarian assistance contributions:	16,264,843.96

Contributions for miscellaneous expenditures	1,339,994.66
Miscellaneous amounts received:	353.58
Suspended Account: (Abdul Azeez Saeed)	406.79
Expenditures:	11,071,907.27
Humanitarian assistance expenditures	10,788,736.22
Miscellaneous expenditures:	283,171.05
 Balance as at 31/12/2011:	 <b>6,533,691.72</b>

Corresponding Cash Balance:

Cash:	1,894,968.34
SAMBA Current Account:	1,894,524.79
Cash at hand:	443.55
Accounts payable	4,638,723.38
General Secretariat:	1,811,465.83
Somalia Humanitarian Office	2,689,188.00
Dr Ahmad Hussein	88, 139, 55
Yemen International Bank	<u>49,930.00</u>

**Total:** **6,533,691.72**

**OIC Office in Kabul:**

Mandatory contributions (United Arab Emirates)	66,379.31
Total Expenditures	257,982.16
Receivables from Ambassador Ambassador Munir Zaman	6,872.41
Cash at Bank:	2,732.91

Deficit amount (covered by a loan from the General Secretariat) 201, 208.17  
This is registered as receivable from the State of the United Arab Emirates, and it has been covered from the General Secretariat account.

**II. International Islamic Fiqh Academy:**

**2012 Revenues**

Contributions of the financial year	1,488,860.00
Contributions from arrears:	505,138.00
Total revenues:	1,993,998.00
Total expenditures (2012)	2,107,162.63
Deficit (covered from reserve):	113,164.63

End-of-service fund	
2012 Opening Balance:	931,720.56
2012 contribution:	134,580.00
Profits on investments 2012:	<u>12,347.92</u>
	1,078,648.48

Reserve:

Cash surplus brought forward from 2011	2,896,147.51
Financial Year deficit:	113,164.63
Investment profit:	3,699.62
Accounts payable	18,041.87
Reserve at the end of 2012:	2,768,640.63

**III. Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRIC), Ankara.**

**Revenues:**

2012 Mandatory Contributions:	2.130.412
Returns on projects:	116,341
Returns on services:	117,315
Revenues from book sales:	2,813
Miscellaneous revenues:	15,991
Total Revenues:	2,382,932
2012 Total Expenditures:	1,775,018
2012 Surplus	607,914

Reserve account:

This is supposed to be in accordance with clarification:	3,845,760.68
Clarification:	

Reserve account carried forward from last year	2,500,792.89
Fund dividend	129,140.40
Profits from deposit accounts	348,387.76
Transfer from the Centre's deposit accounts	<u>259,525.64</u>
Balance as at 31/12/2012	3,237,846.68

A cash surplus of 607,914 was realized for 2012 and it was not added to the reserve account pursuant to the OIC's Financial Regulation. This is supposed to become the balance of the reserve account at the end of the year after the addition of the US\$3,845,760.68 cash surplus.

The integrated financial presentation at the end of 2012 shows that the reserve balance is 2,978,321.04. This reveals the extent of the difference in showing the reserve balance in the closing account statements.

This indicates inaccuracy in the auditing of the closing account statements during preparation.

**End-of-service indemnity allocation account:**

Balance carried forward from 2011	415,393.90
Centre's contribution for 2012	80,444.19
Deposit accounts profits	<u>16,784.91</u>
	512,623:00

**IV. Islamic Center for the Development of Trade (ICDT), Casablanca.**

**Revenues:**

Member States contributions for 2012:	1,493,559.00
Arrears of contribution:	284,238.00
Voluntary contributions:	65,296.25
Miscellaneous income:	83,101.80
Total revenues:	1,933,809.80
Total expenditures:	1,529,346.43
Cash Surplus for 2012:	404,463.37

**Reserve Account:**

As shown by the financial status up to 31/12/2012, the total balance of the reserve account is US\$2,848,776.01.

The reserve account was not shown in the closing account statements as a separate account like the End of Service to enable vetting and ascertainment.

**End-of-service indemnity allocation:**

Balance as at 1/1/2012:	951,908
Centre's contribution for 2012:	<u>121,269</u>
Balance as at 31/12/2012:	<b><u>1,073,177</u></b>

## V. Research Center for Islamic History, Art and Culture (IRCICA)

### Revenues:

Member States' contributions for 2012:	2,469,465.00
Arrears of contributions:	1,922,644.74
Voluntary contributions:	60,841.15
Revenues from Centre's sales:	27,289.04
Miscellaneous revenues:	<u>8,137.04</u>
Total revenues:	4,488,377.88
Total expenditures:	3,643,418.07

Cash surplus for 2012: 844,959.81

The revenues and expenditures statement for 2012 reveals a shortfall of US\$39,241.19 contrary to the closing accounts financial statement which claims a cash surplus of US\$844,959.81, by calculating the difference between the expected revenues and the actual revenues minus the difference between expected expenditures and actual expenditures. This operation has no basis in accounting. Surplus or deficit account is done on the basis of real data.

### Reserve:

Balance carried forward from 2011 not properly entered as reserve	39,269.39
Cash surplus for 2012	844,959.81
This balance is supposed to be the reserve:	<u>884,229.20</u>

Closing account shows reserve as (US\$844,200) less 29.20 since it appears in the closing accounts statement as surplus corresponding to cash surplus in the banks but was added to the reserve account.

### End-of-service indemnity account:

Balance carried forward from 2011:	3,511,020.54
Financial year's contribution:	379,000.00
Returns from bank accounts:	<u>135,285.06</u>
	<u>4,025,305.60</u>

### Account for His Highness the Emir of Qatar's Donations Fund

Balance carried forward from 2011:	4,928,080.59
Returns from bank accounts	<u>172,354.58</u>
	5,100,435.17
Expenditures for 2012:	<u>(11,506.44)</u>
Account balance at the end of 2012:	5,088,928.73



## VI. Islamic Solidarity Fund (ISF):

### 1. Waqf:

The capital of the ISF waqf account amounts to US \$83,385,248.58. 98.68% of this amount is invested with the IDB, 0.70% with Al Baraka Banking Group, 0.58% with the Social Investment Bank in Bangladesh (Dhaka), and 0.04% with Al-Rajhi Banking and Investment Corporation.

### 2. Assistance account

Balance as at 1/1/2012:	671,940.02
Voluntary donations:	4,316,959.45
Kingdom of Saudi Arabia	3,333,333.32
	<u>983,626.43</u>
Returns from waqf fund investment	2,574,168.87
Returns from investment with Al Jazeera Bank	<u>13,524.28</u>
Total available	7,576,592.62
Total expenditures on activities and projects	(5,698,000.00)
Amount transferred to current account for project monitoring	<u>130,000.00</u>
Balance as at 31/12/2012:	<u>1,748,592.62</u>

### 3. End-of-service indemnity allocations:

Balance as at 1/1/2012:	218,958.41
Disbursed end-of-service indemnity:	26,833.33
ISF's share for 2012:	50,995.00
Proceeds of investment deposit:	<u>5,611.30</u>
Balance as at 31/12/2012:	<u>248,731.38</u>

### 4. Revenues

2012 contributions:	773,201.87
Arrears of contributions:	<u>204,753.39</u>
Total revenues:	977,956.26
Total operating expenditures:	<u>(669,195.74)</u>
2012 surplus transferred to reserve:	<u>308,759.52</u>

## VII. Islamic University of Technology (Dhaka):

### Revenues:

Member States' contributions for 2012:	2,185,186.00
Arrears of contributions:	584,184.00
Voluntary contributions:	10,476.00
Miscellaneous revenues:	<u>622,754.18</u>

Total revenues:	3,402,600.18
Total expenditures:	3,932,288.77
Deficit	529,688.59

The closing account showed a deficit of US\$ 52,688.59 because the cash balance from the previous year (2011) was not transferred to the reserve fund. Thus the actual deficit after the utilization of the reserve balance is US\$ 446,731.17.

**Available liquidity:**

Fund	2,661.50
Cash in bank:	1,313,259.41
University's investments	2,994,100.55
Investments to pay IDB's loan to University	1,670,145.35
End-of-service Fund:	1,468,231.25
School fees investments paid in advance:	<u>2,130,794.83</u>
	<u>9,577,192.89</u>

The FCO is of the view that the cash balance available to the university is very huge. Part of it can be used as cash balance in the banks without any specific expenditure to cover this shortfall without disrupting work.

**PART IV**

**GENERAL RECOMMENDATIONS  
AND  
VIEWS OF THE FCO**

## **General Observations and Recommendations of the FCO**

1. In view of the complaints received by the FCO from some members of the General Secretariat staff and the observations of the work group on the conditions of staff of the subsidiary organs, the FCO proposes the regularization of the status of all staff members.

### **Recommendation:**

The personnel department of the General Secretariat and the subsidiary organs should conduct a study on the status of all staff members in the organ and come up with proposals for the required regularization for presentation to the meeting of the Permanent Finance Committee.

2. Following the salary increment for H.E. the Secretary General, the gap between his salary and the salaries of Assistant Secretaries General became very big reaching double. The FCO believes that salary increment for Assistant Secretaries General should be considered, in appreciation of their work responsibilities and their job positions.

### **Recommendation:**

The General Secretariat should study this proposal and present it to the next meeting of the Permanent Finance Committee for consideration.

3. The audit of disbursement documents and staff files of the General Secretariat and Subsidiary Organs revealed some observations for which the FCO found no solution included in the Personnel Regulation.

### **Recommendation:**

The FCO recommends that the Personnel Regulation be reviewed and the following points in the Regulation must be addressed.

- Determination of states' shares of positions in accordance with the percentage of their contributions.
- Review of appointment procedures
- Return of allowances paid in advance when they are found to be incorrect or that there is no need for them.

- Reviewing of the occupational structure (Organizational Chart) of the General Secretariat
- Addressing of the Staff absenteeism.

4. FCO's observations on the financial activities of ICHAD

**Recommendation:**

The FCO recommends considering the amendment of the Financial Regulations to cover disbursement from humanitarian assistance donations instead of the current situation that is not based on the Regulation.

5. The FCO observed a disparity in the General Secretariat's treatment of contract staff and how they are treated by the Subsidiary Organs.

**Recommendation:**

The FCO recommends developing a rule for contract staff both at the General Secretariat and the Subsidiary Organs which would include conditions and regulations for contracting advisers, experts and staff, with their specialties included in the department's budget. The annual draft budget should include the number and designations of planned contract positions. The cost should be included in the draft budget, without exceeding the annual plan.

6. The FCO observed an increase in member states' arrears of contribution to the General Secretariat and Subsidiary Organ, having exceeded the approved budget.

**Recommendation:**

The General Secretariat together with the Finance Control Organ is preparing a study on how to address the issue of arrears which would be presented to the Permanent Finance Committee for its recommendation, which shall be forwarded to the Council of Foreign Ministers.

7. The FCO observed that the assets and properties of the General Secretariat and the Subsidiary Organs are not included in the details of the closing accounts.

**Recommendation:**

The FCO believes that an annual inventory of the properties should be made, with detailed explanations attached to the closing accounts of the organ. It should cover the historical cost, annual consumption, gross consumption and net value of the assets.

8. The FCO observed the draft budgets, especially employees' emoluments, that the proposals cover all positions, both filled and vacant.

**Recommendation:**

The FCO believes that only filled positions and vacant positions expected to be filled during the financial year being reported should be included in draft budgets so as to avoid budget bloating.

9. The FCO had earlier recommended that internal auditors be appointed in the Subsidiary Organs, to ensure that:
- Proper, economic and effective utilization of financial resources
  - Financial transactions are regular, and are in consonance with extant regulations, rules and instructions.
  - Accurate accounting data and information.

**Recommendation:**

After discussions with people in charge of financial affairs in the Subsidiary Organs, the FCO believes that the volume of work in those Subsidiary Organs is not appropriate for permanent employment as the output of such employment is outweighed by its cost. Therefore the FCO is of the view that one of the following recommendations should be taken:

- Mandate the Internal Auditor to visit the Subsidiary Organs from time to time to audit and approve their documents.
- Contract a chartered accountant office in the region where the Subsidiary Organs is located in order to mandate one of office's employees to assume the role of internal auditor.

The FCO views the second option (chartered accountant office) as the more appropriate because it allows continuous auditing and monitoring and saves cost. The office's expertise can also be utilized provided that conditions and specifications are set out in collaboration with the FCO. These are to be presented by the Subsidiary Organs to accounting offices in their region in order for the General Secretariat, the organ concerned and the FCO to select the most appropriate.

**Chairman of the Finance Control Organ (FCO)  
Fahd Abdullah Addukkan**

