



## *Corte dei conti*

### LA SEZIONE DI CONTROLLO

#### PER GLI AFFARI COMUNITARI ED INTERNAZIONALI

Composta dai Magistrati:

Dott.	Ermanno	GRANELLI	Presidente
Dott.ssa	Maria Teresa	POLITO	Consigliere
Dott.ssa	Maria Annunziata	RUCIRETA	Consigliere
Dott.	Giacinto	DAMMICCO	Consigliere
Dott.	Carlo	MANCINELLI	Consigliere

Nell'Adunanza del 13 aprile 2017

Visto il mandato di *external auditor* dell'*International Civil Aviation Organization (ICAO)* conferito alla Corte dei conti dal *Council* dell'*ICAO* e ratificato dall'*Assembly* dell'Organizzazione nella sua 38<sup>a</sup> Sessione tenutasi il 4 ottobre 2013, nonché il rinnovo del mandato per un ulteriore triennio, deliberato, su proposta del *Council* dell'*ICAO*, dall'*Assembly* dell'Organizzazione nella sua 39<sup>a</sup> sessione con risoluzione n.A39/36, in data 29 settembre 2016;

Visti i principi INTOSAI;

Visti i principi internazionali di audit applicabili all'attività delle Istituzioni superiori di controllo (*International Standards of Supreme Audit Institutions –ISSAI*);

Visti i *Financial Statements* dell'*ICAO* per l'anno finanziario 2016 pervenuti in data 11 aprile 2017;

Udito i relatori Consiglieri Maria Teresa Polito, Maria Annunziata Rucireta e Carlo Mancinelli ed esaminato e discusso su loro proposta il *Report* relativo all' *Audit of the financial statements for 2016 - ICAO*;

**DELIBERA**

di approvare il *Report* relativo all' *Audit of the financial statements for 2016* - ICAO;

**DISPONE**

di trasmettere copia di detto *report* al Segretario Generale dell'*International Civil Aviation Organization (ICAO)* per le controdeduzioni.

**I RELATORI**

F.to Maria Teresa Polito

F.to Maria Annunziata Rucireta

F.to Carlo Mancinelli

**IL PRESIDENTE**

F.to Ermanno Granelli

Depositata in Segreteria il 21 aprile 2017

Il Dirigente

F.to Maria Teresa Macchione



*Corte dei conti*

REPORT OF THE EXTERNAL AUDITOR

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**Audit of the financial statements for 2016**

DD MMMM 2017

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## INTRODUCTION

The legal basis for the External Auditor's audit is set out in the ICAO Financial Regulations and Rules (Fifteenth edition), Article XIII and Additional terms of reference governing the External Audit (Annex B).

This report informs the Council of the results of our audits.

This audit looked at the ICAO Report for the Financial Year ended 31 December 2016 and its consistency.

The financial periods are governed by the ICAO Financial Regulations approved by the Assembly, the Financial Rules approved by the Secretary General and by the International Public Sector Accounting Standards (IPSAS).

We audited the accounts for the Financial Year 2016 on the basis of the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

We planned our activities according to our audit strategy, so as to obtain reasonable assurance that the Financial Statements were free from material misstatement.

We evaluated the accounting principles and the related Management estimates and assessed the adequacy of the presentation of information in the Financial Statements.

In this way, through our audit, we obtained a sufficient basis for the opinion given in the audit certificate.

We tested a number of transactions and the relevant documentation on a sample basis, and we obtained sufficient and reliable evidence in relation to the accounts and disclosures in the Financial Statements.

During the audit, all questions were clarified and discussed with the officials responsible.

The team had regular discussions with Mr. Rahul Bhalla, Chief, Finance Branch (FIN), and members of his staff or staff in other departments, depending on the subject matter under consideration.

The field audit ended on 29 March 2017. We received the final version of the financial statements on 11 April 2017. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on dd mmmm 2017 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as at 31 December 2016, presented in compliance with the ICAO Financial Regulations and Rules (Fifteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2016, signed by the Secretary General and the Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received the Statement of Internal Control for 2016, signed by the Secretary General on 30 March 2017.

We have highlighted the results of our audit activity as “Recommendations” and “Suggestions”. Whereas “Recommendations” fall under the follow-up process carried out by the Finance Committee, “Suggestions” are only followed up by the External Auditor. However, in principle, the ICAO Council, possibly following advice from the Evaluation and Audit Advisory Committee (EAAC), may ask the Secretary General to implement a “Suggestion”, where deemed necessary. Where an issue is out of the Management’s remit, we have drawn the Council’s attention to it.

Finally, we wish to express our appreciation for the courtesy shown by all the ICAO officials to whom we had cause to request information and documents.



# *Corte dei conti*

**AUDIT CERTIFICATE**

## **STRUCTURE OF THE ACCOUNTING STATEMENTS**

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:
  - Statement of financial position (Statement I) – Balance sheet at 31 December 2016 with comparative figures as at 31 December 2015 showing Assets (divided into Current and Non-current assets), Liabilities (split into Current and Non-current liabilities) and Net assets;
  - Statement of financial performance (Statement II) for the year ended 31 December 2016, with comparative figures as at 31 December 2015 showing the Surplus/Deficit for the financial year;
  - Statement of Changes in Net Assets for the year ended 31 December 2016 (Statement III); showing the value of the Net assets including the surplus or deficit for the Financial Year including losses directly recorded in Net assets without being recorded to the Statement of Financial Performance;
  - Cash Flow (Statement IV); table of cash flows for the period closed on 31 December 2016, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investment and financing transactions and the treasury totals at the end of the Financial Year;
  - Comparison of Budget and Actual Amounts (Statement V) for the 2016 financial period (limited to the Regular Programme General Fund).
  - Notes to the financial statements providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

## **STATEMENT OF FINANCIAL POSITION 2016**

### **ASSETS**

2. In 2016, the ICAO's Assets amounted to 426.9 million CAD (MCAD), an increase of 8 MCAD (+1.9%) as compared with the value recorded in 2015 (418.9 MCAD).
3. They consisted of Current assets, amounting to 418.3 MCAD, representing 98% of Total Assets (in 2015, the figure was 410.2 MCAD, representing 97.9% of Total Assets), and Non-Current Assets, amounting to 8.6 MCAD, or 2.0 % of Total Assets (in 2015, 8.7 MCAD, or 2.1% of Total Assets).

## **Current Assets**

4. Total Current Assets in 2016 amounted to 418.3 MCAD, representing an increase of 8.1 MCAD (+2%) as compared with 2015. The increase was due to “Cash and cash equivalents” (+12.7 MCAD), meanwhile all other assets decreased (-4.6 MCAD). The basis for evaluating Current Assets is given in the Accounting Policies (Note 1).

## **Cash and cash equivalents**

5. As stated in paragraph 4, the sub-heading “Cash and cash equivalents”, totalling 392.1 MCAD, increased by 12.7 MCAD (+3.4%) compared to 379.4 MCAD in 2015. It included cash-in-banks and short-term deposits as at 31 December 2016. A detailed breakdown of Cash and cash equivalents is shown in Note 2.1.
6. We asked all the banks with business relations with ICAO to confirm the current account balances as at 31 December 2016. We usually verify that the account balances have been properly recorded in the accounts, however, this year, Management transparently informed us that part of the reconciliation had not been performed, therefore limiting our work in this area. Nevertheless, Management provided us with figures that allowed us to consider the amount under reconciliation not to be material. All other variances detected were explained and justified.
7. It should be mentioned that, as in the past years, we did not receive direct confirmations from all the banks. This limited our work in this area, although Management made strenuous efforts in order to allow us to receive them. Management gave us a copy of the bank statements.

### ***Recommendation n. 1***

8. In consideration of the fact that the balance for “Total Assets” is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations, we strongly recommend that Management i) rationalise the current list of bank accounts, limiting considerably their number, and ii) find a process that will induce the banks to send confirmation letters to the Auditor when asked.

### **Proposal and comments by the Secretary General**

We are working with TCB to limit the number of new imprest accounts to be opened. As projects close, existing imprest accounts will also be closed and we will try and use the services of the UNDP as much as practically possible taking location and costs into consideration. As agreed in our meeting, we will work closely with the External Auditors and coordinate on the signature lists that they receive directly from our banking partners. We will also contact our banks and remind them to be extra vigilant when providing this information on the confirmation letters.

### ***Updating of lists of authorized signatures at banks***

9. As a result of our audit of the bank confirmations, we also found, as last year, isolated differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received as declared by the banks. Due to the fact that not all the confirmations had been received, we could not reach a conclusion over the signatories. It should also be mentioned that Management was aware when an outdated list was being submitted by banks and acted promptly, communicating with the banks in order to solve these discrepancies.
10. We cannot consider as “closed” the recommendation of our last year financial audit report related to signatures, which is still ongoing (refer to follow-up to rec. 1/2015, Annex 1).

### ***Cash-in-hand at Headquarters and the Regional offices***

11. On 31 December 2016, the cash-in-hand in CAD kept by the ICAO at Headquarters was equivalent to an amount of 2,354 CAD. Overall, the cash-in-hand at Regional offices amounted to the equivalent of 2,681.67 CAD. We performed a direct count of cash-in-hand at Headquarters, without detecting any problems.

### **Assessed contributions receivable from Member States**

12. Assessed contributions receivable from Member States for the regular budget are composed of:
  - a) *Current*, which are due within 12 months (around 4.0 MCAD in 2016; 6.8 MCAD in 2015, a fall of 43%), and

*b) Non-current*, which are due after 12 months from the date of the financial statements (4.6 in 2016, 5.0 MCAD in 2015, a fall of 10%). This includes discounted long-term contributions.

13. We analysed the procedures in place at the ICAO for the discounting of receivables and our audit did not reveal any major issues. The cumulative discount on long-term receivables totalled 6.8 MCAD in 2016, a fall of 1.4 MCAD compared to 2015, reflecting amongst other things a decrease in the amount for long-term assessed contributions.
14. The significant drop in current receivables shows an improvement in the collections for contributions from Member States; Management referred that this usually occurs in the Assembly years (96% assessments received in 2016; 93.6% in 2015). The number of Member States with balances owing only for the current year's assessments decreased to 16, from 43 in 2015.
15. The improvement also concerned, although to a lesser extent, the number of Member States in arrears for a period exceeding one year, which decreased to 35, from 46 in 2015. Some Member States with long-term arrears liquidated their arrears during the course of the year; we understood from Management that they did this to restore their voting rights at the 39<sup>th</sup> Assembly. Some others concluded new agreements with the Council in 2016 in order to liquidate their arrears. At the end of the year, there were 12 such agreements and there were requests for two more agreements, which were being processed in the first quarter of 2017. The degree of implementation of existing agreements also improved. The number of countries which had not complied with their agreements (Group A) dropped to 7, from 9 in 2015. The number of countries with more than three years of arrears and no agreements (Group B) was 15 (against 18 in 2015).
16. The status of outstanding contributions as at 31 December 2016 (including the year 2016) shows a total amount of 16.1 MCAD (including 1.9 MCAD as a consequence of the USD/CAD exchange rate for the USD assessment component) for 51 Member States. The total amount outstanding as at 31 December 2015 was 20.8 MCAD (with 2.9 MCAD due to the exchange rate) for 89 Member States. The breakdown of assessed contributions according to the year of assessment shows that the amount due for the current year plus the two preceding years decreased by around one third in 2016 (from 11.5 MCAD in 2015 to 7.4 MCAD in 2016). There remains a core of assessed contributions relating to 2012 and earlier, which are more difficult to recover.

17. The continuation of this positive trend is also dependent on the constant commitment towards implementing the various instruments introduced by Management to increase the timeliness of payments. In order to follow up our recommendation n. 3/2015, we verified the implementation of the procedures in place for collecting outstanding contributions. We found that, amongst other things, State Letters to Member States had been sent regularly (in June, September and November), showing the assessments receivable by all of them in respect of all financial years and, for the November letter, also the assessments payable for the year 2017. Moreover, individual follow-ups were performed, based on Statements of accounts issued monthly, e-mailed only to Member States with outstanding contributions and accompanied by invoices with the amount due. Customized communication proved to be the most effective instrument for settling arrears and increasing payments.

### **Receivables, advances and other current assets**

18. Receivables and advances are composed of: a) *Current* (19.9 MCAD in 2016, - 5.7% with reference to 2015); and b) *Non-current* (0.3 MCAD in 2016, around - 21.0% from 2015).
19. *Current* represented 4.7% of the Total Assets, compared to around 5.0% in 2015. As stated in Note 2.3, they represented advances to employees, receivables from United Nations Agencies and other amounts due from revenue generation activities, such as sales of publications, and the rental for conference rooms and space to delegations.
20. An amount of 1.7 MCAD in 2016 is shown in the closing balance sheet under "others". In 2016, other current assets decreased by 0.4 MCAD (-17.2%) as compared with 2015 (2.1 MCAD). A detailed breakdown of these values is reported by Management in Note 2.3.

### **Inventories**

21. At the end of 2016, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.51 MCAD, a decrease of 0.24 MCAD (-31.9%), compared to the 2015 net value of 0.75 MCAD. Inventories are detailed in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.39 MCAD in 2016) and Commissariat (0.12 MCAD).
22. We obtained and checked the lists of assets, comparing them with those from the previous year. We carried out a physical stock-check on a sample of items

recorded in the inventories. No major problems which could impact the accounts at the closing date (31.12.2016) were identified.

23. We acknowledge the efforts made by Management in recording and reconciling the movement of products. However, in a test performed during our audit, we noted that some residual weaknesses remained. We recall the importance of providing accurate records on the actual quantities and on the fair market value of the inventory. Pursuant to recommendation n. 4 of our Report on FS 2015, please refer to the observation in the follow-up table (Annex 1).
24. We also stress that, for the audit of the Commissariat carried out by the EAO in 2015, 3 out of 15 recommendations are still in progress.

### ***Consumables' inventories at Regional office level***

25. During our audits at some of the Regional Offices (ROs), we observed that inventories for consumables were not carried out systematically on all the items. For instance, at the NACC RO, an inventory for consumables in stocks is only drawn up for toners, and not for other items; with regard to this limitation, the RO's Management stated that the value and quantities of their items were not relevant, in terms of logistics, because of the office's size.
26. However, we found no detailed procedures and checklists, decided at HQ level, which might have been distributed to ROs in order to provide precise guidance on the need to perform a consumables' inventory at RO level.

#### ***Suggestion n. 1***

27. We therefore suggest that an internal feasibility analysis should be drawn up so as to assess if an inventory of consumables could be justified at all the Regional Offices. We also suggest that HQ set criteria for assessing when a consumables inventory should be undertaken at RO level and, subsequently, recorded in the accounts.

#### ***Proposal and comments by the Secretary General***

Suggestion accepted. Management will ask the ROs to undertake an inventory to determine if the consumables are material. Management will also insert the controls over the issue on consumption of consumables in the Regional Office Manual (ROM)

## **Non-current assets**

28. As at 31 December 2016, Non-current assets totalled 8.6 MCAD, essentially the same amount as 2015, (just a slight decrease of 0.04 MCAD). The basis for the evaluation of Non-current assets is given in the Accounting Policies (Note 1).
29. This heading is composed of: a) "Property, plant and equipment", amounting to 3.0 MCAD and representing 34.9% of total Non-current assets (in 2015 it was 2.4 MCAD, representing 28.1% of total Non-current assets); b) "Assessed contributions receivable from Member States", amounting to 4.6 MCAD (around 52.7% of the non-current assets); c) "Receivables and Advances", totalling 0.3 MCAD (see paragraph 18); d) "Intangible assets", amounting to 0.8 MCAD, around 9.2% of total non-current assets and 0.2% of total Assets (in 2015, 0.9 MCAD, equivalent to 10% of Non-current assets). The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

## **Property, plant and equipment**

30. The heading "Property, plant and equipment" showed a value of 3.0 MCAD, which is the net value at 31 December 2016 of the capitalised cost for "Furniture & fixtures" (0.1 MCAD), IT equipment (0.4 MCAD), Office equipment (0.3 MCAD), Motor vehicles (0.3 MCAD), Leasehold improvements (1.5 MCAD), Machinery (0.3 MCAD) and Leasehold Improvements (WIP) (0.1 MCAD). Acquisitions during the year amounted to 1.4 MCAD and depreciations totalled 0.8 MCAD; this latter value can be traced in the dedicated accounts in the Statement of Financial Performance. Descriptions are provided by Management in Note 2.5.

## ***Fixed assets management at Regional level***

31. During the visit to EUR/NAT in December 2015, also with reference to the observations raised in the past by the French Cour des comptes and by the EAO, it was noted that some of the assets were not recorded in the asset register. In the long-form report annexed to the ICAO certificate for the financial year 2015 (C-WP/14468 – Addendum No. 2), although acknowledging the initiatives recently undertaken in this area by Management (particularly the release of new administrative instructions on December 2015), we made some recommendations. We also followed up these recommendations (see Annex 1) during our audit at the NACC Office.

### ***The Asset Register kept at NACC and the Threshold decided by HQ***

32. Two separate Fixed Asset Registers (FARs) are kept at the NACC office; they comprise all items of equipment, furniture, fixtures, etc.:
  - a) the Register required by ICAO internal procedures, recording all items above the threshold of 200 CAD; this amount was the threshold known to the NACC office at the date of our audit.
  - b) a specific register maintained by local Management of all the items below the threshold of 200 CAD.
33. The inventory records in the FARs were kept by the NACC regional office on Excel spreadsheets at the time of our audit (October 2016). In a teleconference with the Building Management and General Services Unit held on February 2017, HQ instructed NACC RO on how to begin working on the inventory using the barcode scanner and explained the new instructions in the portal (website). As stated above, however, this inventory with the barcode scanner was performed after our audit at the NACC RO; therefore we cannot reach a conclusion as to whether the inventory exercise was carried out correctly.
34. NACC RO Management informed us that, during the same teleconference, they were taught that all items above the threshold of 300 CAD should be recorded, a different decision from the previous one (above 200 CAD).
35. With regard to point b), we understood from RO Management that this register had an operational importance, and that it was only for internal purposes.
36. In respect of point a), the following points merit consideration:
  - Due to the exchange rate fluctuations, an item might be inserted in the RO Register at a given date, and a similar one might not be recorded at a subsequent date. At the time of our audit, 2,970 MXP was the equivalent of 200 CAD.
  - Low Value Assets (LVAs) below the threshold are recorded at NACC Level (refer to point b) above), although not regularly, whereas, our 2015 Audit Report (see recommendation n. 5/2015) showed that assets below the threshold were not recorded at HQ and at EUR/NAT; it is therefore difficult to assess which categories of LVA are relevant in total.
37. The Administrative instructions approved in December 2015 revised the threshold for recording LVAs in the Inventory Management System (IMS) to 300 CAD. Furthermore, at Headquarters, since 1 January 2010, any individual items

above 3,000 CAD or any grouped assets above 25,000 CAD must be capitalised and depreciated in accordance with IPSAS requirements.

***Recommendation n. 2***

38. In our recommendation n. 5/2015 we recommended “*that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value*”; therefore, also considering that at Regional Level recording and monitoring all the assets regardless their value is an important key management control tool (local value equivalent to CAD 300 might be really meaningful in certain Regional Offices), we renew our recommendation that every assets should be recorded in the IMS (the new barcode system and software will facilitate the logistic and timing of the inventory) and, also, in the consideration that lowering the threshold, it would enhance controls over Fixed Assets.

**Proposal and comments by the Secretary General**

The threshold for capitalization for PPE (C\$ 3,000) was discussed with our previous External Auditors and agreed with them. We have done a cost-benefit analysis and we conclude that to track the large number of items between CAD 300 and CAD 2,999 will require an effort and investment of resources which is not commensurate with the value of such items. However, we will accept your recommendation and we will track the assets between CAD 2,000 and CAD 3,000 in the FA Module.

Additionally, we would like to refer to the Administrative Instructions on Management, Plant and Equipment dated 22 December 2015, which states a threshold of 300 CAD (PPE 2.2) for all HQ & RO’s assets, as the tagging of all assets under the 300 CAD value would not be cost effective for the organization. In addition, tagging of all items is not a practice, nor is it best practice, followed by other UN Organizations. We are aware that some Regional Offices are tracking assets below CAD 300 and in case they are able to do so, we will encourage them to continue this practice.

**The accuracy of the Asset Register at HQ and RO level needs to be improved**

39. In our random checks, we found that some items assigned to staff were not present in their offices. We understood from Management that there is no specific procedure in place, either at HQ level, or at RO level, requiring officials to declare or obtain authorization when such items are used outside the RO perimeter for missions or other purposes.

40. For instance, no “internal movement authorization” form is signed each time an item is moved from its assigned location and ownership to another place or owner. However, although we could consider not relevant having such authorization in NACC RO, due to the office’s limited size, at the HQ level, this issue, if not constantly monitored, might make it impossible to trace a particular asset back to the register.
41. Both at HQ and RO level, some locations and some owners indicated in the Asset register had changed from the 2015 Inventory. We considered that these internal movements could be regularly detected at the end of the year’s inventory exercise, however Management informed us that the physical inventory exercise is only carried out once every three years.
42. We stress the importance of the accuracy of the inventory under IPSAS rules. It is essential that the people in charge of each sector strictly follow the relevant procedures, with regard to recording the existence of some items and their movements, and correctly assessing their values. We also stress the fact that an accurate asset register is not only important for the value recorded in the Statements; it is also an important tool for an efficient and effective asset management.

***Recommendation n. 3***

43. We therefore recommend that Management increase its efforts to recognize, label and capitalize the fixed assets located at the ICAO, in order to have a more accurate record of transfers of assets, through procedures and processes that will bolster coordination between different Departments.

***Proposal and comments by the Secretary General***

Recommendation is accepted as the Organization needs to reinforce the tracking of assets that are transferred.

ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.

***A “Fixed assets management” requires further implementation***

44. Based on the audit carried out this year and the considerations in the previous paragraph, we found that there was no clear indication of the status of fixed assets in the Asset Register or other supporting databases (e.g., “active”, “not in

use”, “partially utilized”, etc.). There was also no clear indication of their precise assignment to staff, and no monitoring as to whether staff were using the items assigned effectively and appropriately.

***Recommendation n. 4***

45. We consider that the asset management framework needs further improvement; therefore, we recommend that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ICAO Bureaus and Regional offices.

***Proposal and comments by the Secretary General***

Continuous efforts will be undertaken to further improve the accuracy of the asset register. While a comprehensive inventory count and assessment is performed on a regular basis, the Organization does not have the resources to centrally and continuously monitor the status and level of utilization of all assets.

In addition to the regular inventory count, ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.

***Strengthening controls over IT Assets***

46. Based on the audit carried out this year, and the considerations in paragraph 44 on “Asset Management”, in our limited sample, we found that IT assets needed specific attention in terms of: i) monitoring their obsolescence and related useful life, ii) assigning technologically appropriate tools to staff, iii) the safety and security of information due to the fact that portable devices are easily subject to loss and theft, and iv) monitoring proper, efficient and effective use (e.g., “active”, “not in use”, “partially utilized”, etc.).

47. For instance, during our audit at the NACC Office, we observed that some portable devices had been delivered in 2011 and in 2013, after the Assembly, directly to all the ROs. These devices were assigned by HQ without a formal request from the NACC Office (for instance, a “recognition of need”) and, in some cases, were not used at all, even though they were still functional. As a result, at the time of our first visit in October 2016, some of these devices were listed in the

Attachment C (“Items for approval to be Written-off”). Management confirmed that these items will be written-off during 2017.

***Recommendation n. 5***

48. We recommend that the Asset management of IT tools Assets will be further implemented as soon as possible according to Recommendation n. 4 and, in particular, that portable devices i) are carefully monitored in all their useful technical life, and ii) are assigned only after a “recognition of need” (prepared according a specific procedure). This, in order to avoid that these devices, although still serviceable, are written off, or left unused, while continuing to buy similar devices.

***Proposal and comments by the Secretary General***

Recommendation accepted. ICT already implemented an IT asset management system as part of the deployment of a standard ITIL management system. ICT has been keeping a record of all IT assets acquired in HQ since 2014. This system will be expanded to record IT assets acquired before 2014, and it will also be deployed to the Regional Offices. Users are required to submit a form in support of the acquisition of IT assets which will be added to the IT assets database.

***A revision of the depreciation coefficients is needed***

49. In the accounting policies (Note 1 to the Financial Statements), the paragraph on Property, Plant and Equipment describes the categories into which the ICAO’s assets are divided, and their related lifetimes.
50. During our audit we noted that the lifetimes set out in the ICAO’s Policy were not always in line with the document “UN Policy Framework for IPSAS” (Second edition, see, for reference, paragraph 13.2 and following). Therefore, some of the categories and their related lifetimes might need to be amended accordingly.

***Recommendation n. 6***

51. In this regard, in the consideration that the useful life used by ICAO is in most cases within the ranges adopted in the UN system, we recommend that Management review the cost-benefit of varying the different categories' lifetimes and their related depreciations according to the "upper-limits" according to UN practices, in particular with the aim of extending the useful life for some specific categories. Where categories are updated, an adjustment of net book value might be needed.

***Proposal and comments by the Secretary General***

Recommendation accepted. The useful life has been established after discussion with CSG and ICT, however a cost benefit analysis (and its eventual impact) of utilising the " upper limits" foreseen in the UN System will be carried out .

***Write-off of assets***

52. During our audit at the NACC office, in our limited sample, we found that one item listed in "Items for Approval to be written-off in 2015 Attachment C", e.g. desktop computer, was actually reused. We understood from Management that, in particular for IT equipment, the "end of the useful life" (e.g. the end of the depreciation) "accelerates" the disposal of items, and apparently, HQ has not provided specific procedures that might help the useful life where an item might still be used at the end of the depreciation period.
53. In this connection, last year we issued a recommendation (Rec. n. 6/2015, see Annex 1) on the need to reinforce procedures relating to write-offs of items.
54. From an asset management point of view, we consider it to be relevant that, before writing-off an asset, information should be made available to all Departments and Regional offices, in order to decide on the item's residual cost-benefit before buying an equivalent one.

### ***Suggestion n. 2***

55. Following also what stated in our recommendation n.6 above, we suggest i) that asset management related to disposal might be further enhanced in particular through an assessment if an asset could be used further beyond the “estimated” life cycle when the depreciation ends and ii) to consider, subject to a cost/benefit evaluation, the possibility of exchanging assets between Departments and Regional offices, before deciding to buy a new item.

### ***Proposal and comments by the Secretary General***

Suggestion partially accepted. As per policy, the life cycle is still the main indicator of asset value and eligibility to be written off. However in practice, items that are still serviceable are utilized until they are unserviceable.

A cost/benefit evaluation has been performed and has determined that transfer of items between the eight RO's and HQ would not be cost effective to the organisation as a result of costs, regional needs, data safety issues and transportation requirements.

### **Intangible Assets**

56. In 2016, Intangible Assets amounted to 0.8 MCAD; they had decreased by around 0.1 MCAD (-8.5%), compared to 2015 (0.9 MCAD); the values related to depreciation were traced in the Statement of Financial Performance. The breakdown is illustrated in Note 2.6.

### **LIABILITIES**

57. In 2016, Total Liabilities amounted to 494.4 MCAD, a decrease of 11.8 MCAD (-2.3%) in comparison with the value recorded in 2015 (506.2 MCAD). They consisted of:
- a) *Current Liabilities*, amounting to 352.0 MCAD, representing 71.2% of Total Liabilities (in 2015, they represented 70.5%, totalling 357.1 MCAD), and
  - b) *Non-Current Liabilities*, totalling 142.4 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 28.8% of Total Liabilities (in 2015, non-current liabilities represented around 29.5%, totalling 149.1 MCAD).

## **Current Liabilities**

58. In 2016, total Current Liabilities amounted to 352.0 MCAD, a decrease of 5.1 MCAD (-1.4%) compared to 2015 (357.1 MCAD). These were composed of:
- a) “Advanced receipts”, totalling 312.6 MCAD in 2016 (320.3 MCAD in 2015, a decrease of 2.4%). These represented around 88.8% of Current Liabilities and 63.2% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (291.0 MCAD in 2016). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A detailed breakdown of these values is provided by Management in Note 2.8.
  - b) “Accounts payables and accrued liabilities”, recorded for an amount of 29.6 MCAD in 2016 (27.9 MCAD in 2015, an increase of 6.4%), representing 8.4% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
  - c) “Employee benefits”, recorded for 8.3 MCAD, an increase of 1.1 MCAD (14.9%) compared to 2015 (7.2 MCAD). See dedicated paragraph below for further considerations.
  - d) “Credits to contracting/servicing governments” amounting to 1.5 MCAD and representing 0.4% of Current Liabilities (0.5% in 2015).

## **Non-current Liabilities**

59. Total non-current Liabilities are only related to “Employee benefits”; in 2016, they amounted to 142.4 MCAD, representing a decrease of 6.7 MCAD (-4.5%) compared to 2015 (149.1 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided a disclosure of the sensitivity of trend assumptions in Note 2.10.2.

## **Employee Benefits**

60. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 8.3 MCAD and under “Non-current liabilities”, with a value of 142.4 MCAD, as summarised in the table below. The total decrease in the Liabilities (Current and Non-current) is 5.6 MCAD.

<i>Liabilities</i>	<b>Year (MCAD)</b>		<b>Variance 2016-15</b>	
	<i>2016</i>	<i>2015</i>	<b>MCAD</b>	<b>%</b>
<u>Current</u>	8.3	7.2	1.1	15.3%
<u>Non-current</u>	142.4	149.1	-6.7	-4.5%
<b><u>Total</u></b>	<b>150.7</b>	<b>156.3</b>	<b>-5.6</b>	<b>-3.6%</b>
<b><i>Composition</i></b>				
Post retirement Plan (ASHI)	124.3	129.8	-5.5	-4.2%
End of service-annual leave	8.8	8.8	0.0	0.0%
End of service-repatriation benefits	14.9	15.2	-0.3	-2.0%
Other employee benefits for international experts	2.7	2.5	0.2	8.0%
<b>Total</b>	<b>150.7</b>	<b>156.3</b>		

61. The overall decrease in these Liabilities, jointly with their disclosure, is explained by Management in Note 2.10, and the basis for the evaluation of Non-current liabilities is given in the Accounting Policies (Note 1, paragraphs 30-33).

#### **Liabilities generated by benefits related to the ASHI, Leaves and Grants**

62. As shown in the table above, the decrease in these Liabilities corresponds almost totally to the decrease in the “After Service Health Insurance (ASHI) (5.5 MCAD out of 5.6)”. These liabilities are due to actuarial loss or gain, and were calculated by an actuary chosen by Management (AON Hewitt), according to actuarial assumptions reported by Management in Note 2.10.3.

63. These assumptions consider elements like the discount rate on long-term Canadian government bonds, with the yield as of 31 December 2016 (2.40%; it was 2.20% for 2015), and the exchange rate between USD and CAD (1.00:1.354 in 2016; it was 1.00:1.385 in 2015). In compliance with IPSAS 25, a sensitivity analysis relating to the discount rate is disclosed by Management in paragraph 2.10.2 of the Notes.

64. Although we noted a decrease in the ASHI actuarial liabilities, this is due not to structural measures that have been adopted to reduce the underfunding, but only to improvements in the financial assumptions.

65. In 2016, we presented a performance audit report to the Council on the effectiveness of measures taken by ICAO’s Management to reduce ASHI liabilities. This audit also considered the perspective of a long-term scenario, shown in a full-actuarial review commissioned by Management, involving the implementation of our recommendation n. 3/2014.

66. Based on the study by the actuary chosen by the ICAO and with the support of the analysis carried out by our actuaries, we addressed some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities, issuing three recommendations, which did not affect acquired rights.
67. In particular, the first recommendation was related to the possibility of paying a premium proportional to the size of the salary or pension, instead of a premium linked to the position (Professional or General services). The second recommendation considered that a worldwide health coverage for a retiree (charged to the ICAO budget) was very expensive and not linked to service needs; so, it would have been logical for the ICAO only to guarantee coverage for the country of residence.
68. In the action plan sent by EAO on the status of the implementation of our recommendations, these two are considered closed by Management, with the motivation that *“the two options had been met with strong opposition from the ICAO Staff Association and retirees’ representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it”*.
69. We note that an “expectation” is not an “acquired right”; furthermore, we also point out that the actuary, in the first step of the study, had proposed stricter measures, which would have reduced the underfunding of the ASHI very quickly. However, these measures were not accepted, because they also reduced acquired rights. For this reason, the actuary carried out a second step of the study, to propose alternative measures, although these would be less effective in reducing the liabilities. The sole recommendation that is still “in progress” is the one related to the so called “opt-out” incentive, which could only have a very small impact on the underfunding.
70. Given the above, our opinion is that a new study should be performed by the actuary, to evaluate when, with the measures adopted (“opt-out” and increasing retirement age to 65), the actuarial liabilities would have an impact on the ICAO’s ability to continue as a going concern, also because this is a specific declaration that Management is required to make under the revised ISAs 570 (para. 2, 3 and A2) and 700 (para. 33 and 34-b), at the moment of the presentation of the Financial Statements.

***Recommendation n. 7***

71. We recommend that a new actuarial study be performed, to evaluate if and when the actuarial liabilities related to the ASHI will impact the ICAO's ability to continue its core activity as a going concern, after the current measures considered by ICAO have been implemented.

***Proposal and comments by the Secretary General***

Recommendation accepted. Once the implementation of offering the opt-out option is completed and the acceptance rate is known, a new actuarial study will be conducted to evaluate the real impact of this option in reducing the ASHI liability and the benefit payments. Regarding the going concern issue, to believe that ICAO will cease to be a going-concern implies that Member States will refuse to honor their liabilities in the future and that assumption is not supported by the Council.

***Negative value of the ICAO's Net-assets is influenced by actuarial liabilities. Based on the ICAO's assumptions, the value of liabilities is substantially correct***

72. The amount for actuarial liabilities (142.4 MCAD) represents 28.8% of total liabilities (494.4 MCAD) and has an impact on the ICAO's Net asset.
73. The choice of actuarial assumptions is the sole responsibility of Management. The External Auditor checks their plausibility and their consistency with IPSAS 25 and with previous years and validates them.
74. As last year, for this specific subject, our team made use of a group of public actuaries, expert in social benefits. They carried out a review of the key assumptions related to 2016, which were duly discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at the ICAO at the moment of our audit, and we validated them.
75. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the ASHI, Annual leave and the Repatriation Grant; they also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used by AON. Management and its experts provided full cooperation and assistance to our actuaries.
76. The work of our actuaries revealed that the amounts recorded in the accounts were substantially correct.

## **NET ASSETS**

77. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2016, Net assets resulted in a negative value of -67.5 MCAD, with an improvement of 19.8 MCAD (22.7%) compared to -87.3 MCAD in 2015. In relation to the negative Net assets, please refer to Paragraph 72.
78. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II “Statement of financial performance”, which shows the surplus for the period (7.5 MCAD);
  - b) Statement III “Statement of changes in net assets” with the movements listed separately;
  - c) Note 2.12, where Management discloses details on the composition of the reserves.

## **STATEMENT OF FINANCIAL PERFORMANCE 2016**

79. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis in order to explain the year’s net deficit or surplus. The result for the period is a surplus of 7.5 MCAD.

## **REVENUE**

80. Total revenues amounted to 267.9 MCAD, with a decrease of 4.3 MCAD (-1.6%) as compared with 2015 (272.2 MCAD). This was composed of:
- a) “Contributions for project agreements” totalling 121.5 MCAD in 2016 and representing 45.3% of Total revenues; these contributions decreased by 10.8% from 2015 (136.3 MCAD);
  - b) “Assessed contributions”, amounting to 106.9 MCAD in 2016, representing 39.9% of Total revenues, up 15.72% compared to 2015 (92.4 MCAD);
  - c) “Other revenue producing activities”, totalling 21.0 MCAD in 2016, and representing 7.8% of Total revenues; an increase of 10.3% compared to 2015 (19.1 MCAD);
  - d) “Other voluntary contributions” totalling 15.0 MCAD in 2016 (5.6% of Total revenues), a 37.4% increase compared to 2015 (10.9 MCAD);
  - e) “Administrative fee revenue” and “Other revenue” totalling jointly 3.5 MCAD in 2016 (1.31% of Total revenues), a 74.1% decrease compared to 2015 (13.6 MCAD).

81. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

## **EXPENSES**

82. Expenses totalled 260.4 MCAD, with a decrease of 9.4 MCAD (-3.5%) as compared with 2015 (269.8 MCAD). These were composed of:

- a) "Staff salaries and employee benefits", totalling 157.3 MCAD in 2016 representing 60.4% of Total expenses; a decrease of 1.41% from 2015 (159.5 MCAD);
- b) "Supplies, consumables and others", amounting to 59.9 MCAD in 2016 and representing 23.0% of Total expenses, down 10.5% compared to 2015 (66.9 MCAD);
- c) "General operating expenses", totalling 21.1 MCAD in 2016 and representing 8.1% of Total expenses; up 5.3% as compared with 2015;
- d) "Travel", totalling 12.1 MCAD in 2016 and representing 4.6% of Total expenses, up 0.9% compared to 2015 (12.0 MCAD);
- e) "Meetings, Training and Other expenses", totalling jointly 10.0 MCAD in 2016 (3.4% of Total expenses), a 11.2% decrease compared to 2015 (11.3 MCAD).

## **Procurement**

83. Procurement represents part of the expenses analysed in the paragraph above and accounted as "Supplies, consumables and others", "General operating expenses", "Meetings" and "Training".

84. In 2015, EAO carried out an audit on "Procurement for Headquarters" (IA/2015/1), whose objective was to assess procurement activities conducted by both ICAO's Procurement Section (PRO) and allotment holders under delegated authority; we observe that in 2015, 8 out of the 13 recommendations in the EAO's report were implemented (61.5%). In 2016, according to the follow-up table provided by EAO, the percentage rose to 84.6%.

85. Being aware of the relevance of the key issues raised in this report, we took note of the audit findings and conclusions for our audit of this sector, which is summarized in the following paragraphs.

## ***The United Nations Global Marketplace***

86. The ICAO is not part of the United Nations Global Marketplace (common procurement portal of the UN system of organizations). UNGM has a United

Nations General Assembly mandate to: 1) Enhance transparency and increase harmonization of UN procurement practices 2) Simplify and streamline the registration process for vendors 3) Increase procurement opportunities for vendors from developing countries 4) Create one common UN global procurement portal.

87. Subparagraph iii) of Recommendation 8 (“Expansion of sources of potential suppliers”) of EAO’s Report IA/2015/1 recommends “*subscribing to and actively using the United Nations Global Marketplace (UNGM)...*”.
88. At the time of our audit, Recommendation 8 was still “outstanding” and the Action Plan reported that “*(...) given that 2016 was an Assembly Year (...) it was not possible for Procurement to enlarge the companies potentially invited for ICAO needs. However, following D/TCB’s instructions, Procurement shall develop advertisements in local and regional newspapers to extend and increase the supplier base for Regular Program Procurement. Additionally, Procurement will discuss with the UN Secretariat on seeking admission to the UNGM in order to increase potential opportunities and increase competition*”.

#### ***Recommendation n. 8***

89. We share the EAO’s view and we recommend, especially considering that ICAO actively participates in the HLCM, that it should “*subscribe to and actively use the United Nations Global Marketplace*” (as already stated by EAO) in order to achieve the objective envisaged by the mandate of the United Nations General Assembly. The ICAO Procurement Office should consider publishing procurements related to the ICAO “Regular Programme” and Field Procurement, as applicable, in the UNGM, in order to enhance its transparency to the level requested by the United Nations General Assembly mandate.

#### **Proposal and comments by the Secretary General**

Agreed. ICAO has joined the UNGM as of 24 March 2017.

#### ***Sole source at ICAO***

90. Article 6.6, point a), of the ICAO Procurement Code envisages that contracts/purchase orders may be awarded or issued on a sole-source basis provided that the value of the procurement is below 5,000 CAD.

91. Subparagraph ii) of Recommendation 8 (“Expansion of sources of potential suppliers”) of EAO’s Report IA/2015/1 recommends “*increasing the use of generic calls for expressions of interest whereby potential suppliers can be “pre-qualified” for the procurement of goods/services in a particular area*”. Moreover, Recommendation 11 (“Compliance with the Procurement Code for purchases below CAN \$10,000”) states that “*One of the circumstances in which sole-source is allowed, is where the value of the procurement is below CAN \$5,000. However this does not mean that every purchase below this threshold should be sole source. ICAO allotment holders have a responsibility to ensure that best value for money is obtained and therefore, wherever possible, a minimum of three quotations should be obtained in order to benchmark the quality of goods/services and the prices available on the market...*”.

***Recommendation n. 9***

92. We acknowledge that EAO’s recommendation n. 8 is still “Outstanding”. At the same time, we agree with the contents of EAO’s recommendation n. 11 which, unlike n. 8, is considered to have been “implemented”. However, in our limited sample, we detected cases of sole source contracts awarded repeatedly to the same supplier (threshold below 5,000 CAD), without at least 3 quotations being obtained or documented. Therefore, in order to increase competition and avoid recurrent Direct Purchase Orders being given to the same supplier, we share EAO’s recommendation and we renew it, in particular, with regard to the fact that the ICAO should select more than 1 “pre-qualified” supplier in advance (for example for a period of 1 year), requesting the best offer at the moment when the service is needed.

**Proposal and comments by the Secretary General**

Agreed: The sole source justification for ICAO Procurement has been revised to indicate that even if purchases by ICAO staff are below \$5,000 a market analysis and assessment of price must be conducted. Additionally the Direct Purchase Order guidelines have been developed and published for ICAO staff.

93. Furthermore, according to the ICAO Procurement Procedures Manual, in cases of sole-sourcing, no contract award notice is published on the ICAO tendering bulletin board.

***Recommendation n. 10***

94. In order to increase transparency in the use of the funds, in particular for Regular Programme Procurement, we recommend that, in relation to sole-sourcing, a contract award notice should be published on the ICAO tendering bulletin board (or UNGM).

***Proposal and comments by the Secretary General***

Partial Agree. Given the limitation of the Alito system (its design), we cannot publish sole source since they are not, given their nature, initially tendered on a competitive basis. Nevertheless, we shall report on all sole source procurement to the Chairman of the Contracts Board.

***Monitoring Direct Purchase Orders at the ICAO***

95. The ICAO Procurement Code and Procurement Procedures Manual do not always require prior authorization from the Procurement Office in the Technical Cooperation Bureau for Direct Purchase Orders (or, alternatively, from another competent office designated by the ICAO).

***Recommendation n. 11***

96. We recommend that, in order to increase the value-for-money of the entire procurement process and avoid potential abuse of DPO, the ICAO should introduce a procedure for the prior authorization of Direct Purchase Orders, in order to reduce the risk of abuse of Direct Purchase Orders and sole-source procurements.

***Proposal and comments by the Secretary General***

Agree. However the responsibility and guidance for issuing a Direct Purchase Order at ICAO lies with the respective Bureau Directors and Section Chiefs to ensure that ICAO Allotment Holders follow the respective rules and regulations.

### **Monitoring the sole source at the ICAO**

97. Sole-source purchases are justified under one of the conditions specified in paragraph 6.6 of the Procurement Code. One of the sampled procurements refers to a sole-source purchase above 50,000 CAD. The justifications provided for obtaining the supply on a sole-source basis are, in our view, not sufficient to justify the use of a sole-source contract, so we do not consider this purchase to comply with the ICAO Procurement Code. In reality there was a competitive market-place for the purchase of the items and there were also alternatives such as, for instance, renting alternative technical tools and/or the service.
98. Recommendation 10 (“Monitoring of sole source purchases”) of the EAO’s Report IA/2015/1 states that *“PRO should keep a central record of all sole source procurements, including the supplier, requesting bureau/office, and the justification basis, in order to identify patterns and/or potential areas of abuse”*.
99. Furthermore, the same document reports that *“In two cases (both to the same supplier) there was no documented justification for obtaining the services on a sole source basis, however approval from the Secretary General was obtained to deviate from the procurement rules. In another two cases (PO 12500579 and 12500515), sole source was approved on an exceptional (retroactive) basis because staff in the requisitioning office had bypassed PRO and had undertaken the procurement action themselves”* and *“In all cases where the sole source purchase was for CAN \$50,000 or more, the approval of the Contracts Board and the Secretary General had been obtained”* and they ended recommending that *“As noted in recommendation 8 above, it is important to ensure that sufficient competition is obtained wherever appropriate, and that any instances of sole source are genuinely justified”*.
100. At the time of our audit, Recommendation 10 was considered as “implemented” and the Action Plan stated that *“In order to track procurements that are sole source, effective immediately, the Procurement Section has added a column in the Purchase Order summaries that requires an entry for each procurement indicating whether it is sole source or not”*.

***Recommendation n. 12***

101. It is noted that EAO's recommendation is considered as "implemented". It is also noted that PRO has added a tracking method to identify when ICAO Allotment Holders issue multiple Direct Purchase Orders to the same supplier. However, in the best-case scenario, the Procurement Section, in presenting the yearly statistics to the Secretary General, can only highlight potential abuse after the event. In the meantime, we have found a case (see paragraph 97) where a sole source was obtained without adherence to the ICAO Procurement Code. Therefore, we recommend that ICAO allotment holders should duly fill in a sole-source request form and have it duly approved by the appropriate authority (Chief or Higher) and that a solid justification be provided.

***Proposal and comments by the Secretary General***

Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.

***Recommendation n. 13***

102. In relation to the previous recommendation, we also recommend that a study or cost-benefit analysis be carried out for every substantial ICAO Regular Program Procurement (such as the purchasing vs leasing of tablets for the voting system) so as to identify the merits of this procurement.

***Proposal and comments by the Secretary General***

Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.

***Possibilities to increase the level of transparency in procurement***

103. The Procurement Procedures Manual states that contract award notices should be published on the ICAO tendering bulletin board.

***Suggestion n. 3***

104. Overall, we suggest that, as soon as the procurement procedure is concluded, all the potential eligible vendors participating in the procurement procedure should be informed of the outcome of the procedure.

**Proposal and comments by the Secretary General**

Agreed. Actual procedures in TCB consider that all Tenders awarded were and are currently published on the ICAO Procurement Portal indicating to who and the amount awarded.

105. Furthermore, during our audit, we found that the tender dossiers did not show clearly how and to whom potential vendors were meant to find about the outcome of procurement procedures. In particular, some of the tender dossiers sampled contained the following statement: “*ICAO reserves the right to reject any or part of a tender without disclosing information*”.

***Suggestion n. 4***

106. We therefore suggest that ICAO should introduce an internal procedure to enable potential suppliers to enquire about the outcome of tender procedures.

**Proposal and comments by the Secretary General**

Agreed. That procedure already exists internally but it will be published as part of the tenders.

***Assessing the cost-benefit of having different technical consultants***

107. Moreover, in our sample we found a case where that the technical consultant hired to prepare the tender specifications, the tender evaluation and the implementation of the contract were the same person.

***Suggestion n. 5***

108. We therefore suggest that ICAO should explore the possibility and the cost-benefit of having different technical consultants for the different stages of the procurement process.

**Proposal and comments by the Secretary General**

Noted. ICAO will study the possibility on a case by case basis.

***Introducing a Declaration of Absence of Conflict of Interest in the procurement process at the ICAO***

109. We noticed that no Declaration of absence of a conflict of interest (DACI) was required from the official that checks the steps in the procurement process. Furthermore, we found that there were no procedures to identify who was responsible for verifying the absence of a conflict of interest and had the power to investigate the reliability of a DACI provided.

***Recommendation n. 14***

110. We recommend that specific and detailed Declaration of absence of conflict of interest (DACIs) should be provided, duly signed, by all the people involved in the procurement process, and, further, we also recommend that the ICAO: A) should identify which people are able to assess the reliability of DACIs and B) should have the power to realign the procurement process towards correct practice once a DACI has been assessed as not reliable.

***Proposal and comments by the Secretary General***

All Procurement Staff as well as Senior Management in TCB dealing with Procurement have a Declaration of Absence of Conflict of Interest. For points “A” and “B”, this matter should be referred to the ICAO Ethics Officer.

**Personnel**

111. We reviewed a number of randomly selected payslips related to various categories of staff members (GS and Professional) from the Headquarters, the regional offices and the field. We checked the accuracy of the amounts against the current remuneration package and sought evidence in the personal files for any allowance obtained. Our substantive testing did not reveal any errors or major issues, so we consider that we obtained reasonable assurance that the values recorded in the accounts were correct.

112. We note that, as a result of our recommendation last year concerning the centralization of the payroll function for field staff, a pilot project has been implemented on the Namibia field personnel, all of whom are currently receiving payslips, orders to personal bank accounts and annual statements of earnings for taxation purposes prepared by the HQ Payroll Office. This standardizes the

payment process, centralizes it to a place where the relevant knowledge is held, and minimizes the risk of wrong payments.

113. We understand that, subject to an analysis of the success of the pilot project, the current situation will be reviewed with the intention of extending the new system to all categories of field personnel, for all TC projects, currently administered through the Field Personnel Section. An extension of this service, however, requires additional resource for the HQ Payroll Office and for Treasury.

***Suggestion n. 6***

114. Since this extension would require additional resources, which are currently not available at HQ Payroll and cannot be charged to the field projects as a direct expense, we suggest that an agreement be sought with the TCB to finance this service in an alternative manner.

***Proposal and comments by the Secretary General***

An agreement between TCB and the Regular Budget needs to be sought for additional resources in the Payroll Office and in Treasury in order to deliver the service to all field staff. However, TCB should develop a methodology that would pass on the cost of the additional recourse fairly to all TC projects. Any solution whereby the cost is absorbed by the AOSC Fund would be unacceptable. We are also concerned that the solution is not scalable because the cost of the additional resources would be fixed in the short-term. However, the UNDP solution presents a scalable option.

**Segment reporting**

115. A report by segments is provided in Note 5 of the 2016 Financial Statements. The aim of this segmentation is to disclose the financial position and financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2016**

116. Statement III “Statement of changes in net assets” shows movements during the year, ending in a negative balance of -67.5 MCAD at 31 December 2016. The

improvement in the negative net assets is due to the variation in actuarial gain and to the surplus of the year. Our audit conclusions on the negative net assets are noted in the paragraphs related to “Employee Benefits”.

## **STATEMENT OF CASH FLOW**

117. The Statement of cash flow identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.
118. In 2016, the ICAO reported a net cash flows of 13.0 MCAD from operating activities, which was positive, as it had been in 2015 (95.7 MCAD). Net cash flows from investment activities (-0.2 MCAD) showed a negative variation as compared to 2015, due to an increase in Interest income and a decrease in Investments and in Acquisition of property, plant and equipment and Intangibles.
119. The net result in cash and cash equivalents showed an increase of 12.8 MCAD in 2016. We checked the underlying entries by selecting samples from some accounts. The result was that all selected transactions were properly backed by supporting documentation. The Cash Flow Statement was thus verified and confirmed.

## **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

120. Statement V “Comparison of budget and actual amounts for the year ended 31 December 2016” is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between the budget and actual amounts. Further details concerning Statement V, which relates only to the Regular Programme Fund, are provided in Note 4.
121. It is worth mentioning that an EAO audit report (IA/2016/2, see also paragraph 137 et seq. below) raised a number of issues and made several recommendations with regard to the ARGF. One of these recommendations states that *“the fact that in 2015 CAD 2,011,075 of salary costs were initially charged to ARGF but then transferred to the regular programme at year end, thereby increasing the ARGF surplus and reducing the carry-over of the regular programme by this amount.”*
122. Furthermore, the draft audit report mentions that *“this appears to be a one-off decision for 2015”* and argues for transparency and comparability and therefore consistency from year to year so that the figures can be compared over several

years. EAO then recommends that “*these costs should be included in the regular programme budget and that the annual budget should be increased*”.

123. In the Report “Annex 4-Secretariat Action Plan”, Management did not accept the recommendation and the Secretary General sought advice from the EAAC (see also paragraph 138). In its “Overall Conclusion” paragraph, the EAAC reported Management’s reply that: “*in terms of transparency (...) it does not affect the main financial statements but there is an impact on the Statement V: Regular Programme General Fund Statement of Comparison of Budget and Actual Amounts for the year ended 2015 if compared to the prior year*” We therefore analysed the potential impact on Statement V and discussed the issue with Management.

#### ***Recommendation n. 15***

124. In compliance with Article 12 of the ICAO Financial Regulations, *Statement V* of the Financial Statements is only disclosed for the “Regular Programme General Fund”. In order that such cost transfers do not impact Statement V, we recommend that, from next year onwards, Statement V should include all the Funds that are reported under “Regular activities”. Furthermore, Statement V should reconcile budget results with the Surplus/Deficit for the year. If Statement V captures all Funds under Regular Activities that contribute to the Surplus/Deficit, cost transfers between these funds will not impact Statement V in the aggregate.

#### **Proposal and comments by the Secretary General**

Agreed to the recommendation. A new Statement V-A “Statement of Comparison of Budget and Actual Amounts” will form part of the 2017 Financial Statements, to include all Regular Activity funds and its budgets – only if publicly available (as IPSAS 24), and to reconcile with Surplus/Deficit of Statement II (Statement of Financial Performance).

### **Carry-over of Appropriations**

125. ICAO handles two categories of carry-overs:

- a) *Outstanding commitment carry-overs* which, in accordance with Article 5.7 of the ICAO’s Financial Regulation, aim to “discharge expenditures incurred” during the previous year. This concerns obligations entered into in one year, but delivery against which is only expected the following year, as well as some

employee entitlements, such as accrued leave and repatriation grants for staff who separated from ICAO during the year;

b) *Surplus carry-overs*, which consist of savings from unspent appropriations. In accordance with Article 5.6 of the Financial Regulation, these savings may be carried over under the authority of the Secretary General up to 10 per cent per appropriation for each Strategic Objective or Supporting Strategy. Above this percentage, a Council decision is needed.

126. With regard to the first category, we selected a sample of commitments carried over to 2016 from 2015 and ensured that: (a) the carry-over had been properly authorized; (b) there was adequate supporting documentation for carrying-over the commitment; and (c) the amount was accurate. Then, we checked the expenditures against the carry-overs included in the sample and reviewed invoices to ensure that their description fell under what had been authorized to be offset. Our analysis did not reveal any major issues. The amount for outstanding commitments carried over to 2016 from 2015 to clear legal obligations was 10.26 MCAD; the amount carried over to 2017 from 2016 is 12.25 MCAD.

127. With regard to Surplus carry-overs, it is worth noting that, according to Article 5.6 of the Financial Regulation, a decision on their use may be taken by the Secretary General “irrespective of its authority to effect transfers” under Article 5.9. The Secretary General may thus make use of this authority (to transfer appropriations under Article 5.9 of the Financial Regulation) before determining the amount of unspent appropriations to be carried over. The recent amendment of Article 5.9, approved during the 39th Assembly, has broadened the Secretary General’s authority to effect transfers from 10% to a ceiling of 20% of the annual appropriations when it comes to transfers from one Strategic Objective or Supporting Strategy to another. As a result, the authority of the Secretary General, whilst remaining within the 10 percent limit if one refers to the whole budget, may go beyond this percentage with regard to individual strategies.

128. A Policy dating back to 2009 (C-DEC 187/9) establishes the guidelines for use of carry-over. Apart from open purchase orders, which fall under the different category of outstanding commitments, priority in the use of savings is primarily given to past initiatives “that have been delayed or otherwise postponed”. This priority (limited in practice to a “rolling effect” for decisions that have been taken but not yet implemented) also applies to the Secretary General when it makes use of its authority pursuant to Article 5.6. However, more flexibility may be

desirable, for instance when new or urgent needs appear. The Secretary General has in fact a discretion, of up to 10 percent of the approved budget.

129. Currently, if the carry-over is within the authority of the Secretary General, a Council Working Paper is presented to the Finance Committee and the Council for information only, and a paragraph on Part I (Reports by the Secretary General) of the Financial Statements describes, in general terms, how the surplus carry-over is being utilized. If the surplus carry-over and/or transfers exceed the limits of the Secretary General's authority, then a Council Working Paper is presented to the Council for approval, with more detailed information. The use of carry-overs, even those under the authority of the Secretary General, is reported to the Assembly as required under the Financial Regulations.
130. The carry-over of savings from 2014 to 2015 amounted to 7.55 MCAD; the carry-over of savings from 2015 to 2016 was 6.65 MCAD; and the amount of savings carried over to 2017 is 9.09 MCAD.

***Suggestion n. 7***

131. In light of the unrestricted flexibility in the usage of savings, albeit within the limit of 10 percent of the budget, we suggest that the Secretary General should consider the possibility of systematically informing the Council about the amount of savings that are reallocated to old activities and those that are for new priorities.

***Proposal and comments by the Secretary General***

Starting from the 2017 year-end, Council working papers on the carry-over of appropriations, regardless on whether the 10% limitation has been exceeded or not, the Secretariat will provide the total amounts to be carried-over for the following; a) outstanding commitments; b) deferred activities within the same triennium; c) deferred activities for the following triennium; and d) mission-critical and/or mandatory in nature.

**The Ancillary Revenue Generating Funds (ARGF)**

132. Under "Part IV: Tables" of the Financial Statements, Management reports to the Council on the transactions for each segment during the financial period, and the balances held at the end of the period. The ICAO classifies all projects, operations and fund activities in terms of two segments: i) Regular activities and ii) Technical Co-operation Project activities.

133. As stated in “Part III, Note 1 on Accounting Policies” a segment is “a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources”.
134. Financial Statements by segment, as reported under “Part IV: Tables” are “unaudited”; this includes the Segment related to the ARGF. However, transfers between the Regular Programme and the ARGF may have an impact on the Statement V. It is against this background that we address the issue (see paragraph 124).
135. An audit report, drafted by EAO in 2016, raised a number of issues and made several recommendations with regard to the ARGF.
136. One of these recommendations called for greater consistency, from one year to the next, in the accounting system for salary costs relating to posts budgeted under the ARGF, but whose incumbents carried out work for the regular programme. Funding these posts out of the ARGF budget, when the work was carried out for the regular programme, represented an additional contribution from the ARGF to the regular programme, on top of the established annual contribution.
137. However, EAO found that, in 2015, these costs had been charged to the regular programme, instead of to the ARGF – thus influencing the result of the ARGF – as had been the case in previous years, and recommended that they should be accounted for consistently over time. This recommendation was not accepted by the Secretary General, on the grounds that the transfer to the regular programme in 2015 was a decision in the remit of Management, with a view to minimizing carry-overs in the regular programme. The transaction was clearly indicated in the Council Working Paper (C-WP/14470) that reported on the performance of the ARGF in 2015.
138. The Secretary General sought advice from the EAAC. The EAAC recognized that the Council had been informed, but concluded that “*the fact that similar costs are taken by a different cost centre or programme from one year to the next should be explained in the notes to the financial statements, when the related figures are reported*”, and that this “*could be done starting with next year’s financial statements*”.
139. Having examined the relevant documentation, we agree with the need for the Council to be provided with more detailed and immediate information. This

however was not the case with regard to 2016, when the costs were again budgeted and charged to the ARGF.

140. We believe that the salary costs should be charged to those who benefit from the related work, and it represents an issue in terms of governance and reporting if the ARGF is used to fund posts where incumbents work on non-ARGF activities (this point was also, incidentally, raised by the EAAC).
141. The ARGF was established in 2008 to "record all revenues and expenditures relating to self-financing activities". However, looking in more detail at the range of activities undertaken by it, one finds that a complex system was set up for a number of core revenues, which mostly relate to a few publications (approximately 5 publications generate around 60% of the ARGF's revenues) and which are easily traceable and attributable to those who generated them. On the other hand, this creates internal invoicing requirements for interfund transactions, consolidation needs, and the segregation of the portion of overhead costs borne by the regular programme from the one borne by ARGF for such items as building rental. All these issues were addressed in the Internal auditor's draft audit report, which also raised questions in terms of reporting the results of distinct categories of revenue-generating products.

***Suggestion n. 8***

142. With a view to simplification, we suggest, for the next triennium, assessing the cost-benefit of attributing all the expenses and revenues directly to the regular programme, instead of maintaining the ARGF as a separate instrument for managing revenue-generating activities and contributing to the regular budget.

**Proposal and comments by the Secretary General**

This is a wider policy decision that needs to be taken by the Council and the Assembly. Putting market-dependent activities within the strict confines of the Regular Budget which is fixed by assembly resolution to a pre-determined number has serious limitations. We will examine the pros and cons of this proposal.

**THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)**

143. We acknowledge the cooperation received from the EAO's staff members, who are also tasked with providing logistical support to the External Auditor.

144. Suggestion n. 8, in our report on FS 2014, regarded *“the possibility of adding to the EAO staff a permanent IT auditor, who could perform also other kinds of audits, leaving the existing budget: a) to enhance the training program for the staff, and b) to occasionally hire external audit experts in technical matters, related to the core business activity of ICAO (the aviation sector), in order to cover risks in these technical areas”*. This suggestion still remained “in progress” last year, also bearing in mind that the comment of the former Secretary General was *“Accepted. The possibility of creating an additional post for an IT auditor will be considered as part of the budget setting process for the 2017 to 2019 triennium”*.
145. Looking at the EAO’s report on 2016 activities (C-WP/14577, presented to the 210th Council session), we noted that the planned internal audit of the “Systems Development Life Cycle” had been *“postponed due to lack of IT audit resources”*.
146. Furthermore, the EAO’s draft 2017 work programme, that was submitted by the Chief EAO to the External Auditor for comments on 19 October 2016 , did not include an IT audit, with the motivation that *“No IT audits will be carried out in 2017 due to an ongoing lack of resources in EAO. These are specialised audits which need to be undertaken by, and managed by, a trained IT auditor”*. However, in the final version of the document presented to the 209th Council session (C-WP/14528), EAO did include an audit on “Cybersecurity” in its 2017 work programme.
147. EAO referred that when the Secretary General received the draft 2017 work programme, she asked that the sentence above be deleted and an IT audit be inserted, considering that the consulting allotment attributed to EAO in 2017 should be enough, or if necessary could be increased, to pay for an external consultant. In spite of his reservations due to the lack of resources (both professional and economic), Chief EAO agreed to delete this sentence and insert an IT audit, proposing “Cybersecurity”, as this topic was very high in EAO’s risk assessment. It has to be noted that this proposal came before the ICAO system was hacked.
148. Because of the lack of resources and of specialist expertise in EAO to carry out IT audits, the Chairman of the EAAC, using the opportunity shown in paragraph 2.5.3 of EAAC Annual report for 2015/2016 (*“EAAC members agreed to suggest potential performance audit topics to the external auditors, without prejudice to their right to independence. Topics could also be selected from the top ten risks identified as a result of the risk management workshop”* – C-WP/14527, presented to the 209th Council session), asked the External Auditor to carry out an IT audit on the proposed topic (cybersecurity) instead of one of the two annual

performance audits requested by the Council when the Corte dei conti's mandate was renewed.

149. The President of the Chamber for International Affairs agreed to carry out a "preliminary analysis" on this issue, instead of a performance audit, partly in view of both the economic and technical requirements of a complete IT audit, which are not comparable with the resources normally required by an ordinary performance audit.
150. We consented to the EAAC's request; however, although we recognise that the IT environment presents potential inherent and control risks, we recall that the function of the External Auditor differs from that of the internal auditor. Therefore our potential audit might not cover what has been considered by EAO in its risk analysis and presented in its 2017 Work Programme.
151. In addition to IT audits, EAO should also cover the risks linked to technical aspects and, for this purpose should be able to hire external technical experts. Lack of economic resources in EAO's budget is also affecting this possibility.
152. Going in the same direction as our suggestion and opinion, the EAO charter has recently been amended (document C-WP/14526 of 25/10/2016, presented to the 209th Council Session), to provide for an enhancement of the role of the EAO in various sectors.
153. Furthermore, last October, the 39th ICAO Assembly approved (res. A39/37) the budget of the Organization for the triennium 2017/2019 (doc. 10074); a small increase of 1.2% in EAO's budget has been considered, in particular for consultancy/outsourcing, although no new posts are envisaged for IT auditors.
154. All this considered, we believe that our previous suggestion needs to be strengthened; for this reason, we close the Suggestion n. 8/2014 as "not implemented" and issue the same topic as a recommendation.

***Recommendation n. 16***

155. Since the EAO should be able to carry out audits in all the risk areas of the Organization, we recommend that, for the next triennium, the EAO should be provided with the necessary resources; for example, the current EAO staff could be supplemented with a permanent IT auditor (who could also perform other kinds of audits), without reducing the existing budget for external consultancies. This would allow the EAO to use its resources to enhance its staff training program, and to occasionally hire external audit experts in technical matters, related to the ICAO's core business activity (the aviation sector), in order to cover risks in these technical areas.

***Proposal and comments by the Secretary General***

**FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS**

156. Before looking at the follow-up to previous recommendations and suggestions, we should point out that in the responses provided by Management concerning the implementation status of the EA's recommendations, Management considers recommendations as "closed", without having agreed this with the External Auditor and before they have been implemented. This circumstance was highlighted, in the past, also by the Cour des comptes, in recommendation n. 29 of its report on the FS for the year 2012.
157. Although having closed this recommendation, we agree with our predecessors that only the auditor who issued a recommendation can decide if it has been implemented. Management explained that, if the implementation of a recommendation no longer falls within its remit, they consider it as closed, as they cannot take any other action.
158. We understand Management's view on this; however, we stress that, in such circumstances, we would not close a recommendation and would consider the possibility of issuing a new recommendation, relating to the parts of the previous one that have not been implemented, as well as bringing it to the Council's attention, if it falls within its remit.

159. Furthermore, as stated in paragraphs 84 et seq., we also found, during our audit, that some of the EAO's recommendations considered as "closed" by Management had, in our opinion, not been implemented.

***Recommendation n. 17***

160. We therefore recommend that EAO regularly carry out a follow-up exercise for all its recommendations, in order to assess their actual implementation.

**Proposal and comments by the Secretary General**

We agree that it is important to carry out follow-up audits to assess whether agreed recommendations have been implemented. However this has resource implications for EAO.

161. With this premise, we followed up the implementation of the recommendations and suggestions issued in our previous reports. Annexes 1 and 2 show the follow-up tables, which includes the comments received from ICAO Management and the current status of implementation.

162. Furthermore, we reviewed all the audit recommendations issued by our predecessors, with the comments received from ICAO Management at the time of the delivery of their Reports, and updates as at 31.12.2016. The current status of their implementation is illustrated in Annex 3.

163. The recommendations that are evaluated as "closed" this year will not be included again in next year's Audit Report, unless they need an annual follow-up.

## ANNEX 1 – Follow-up to the recommendations issued in our previous reports

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec. 1/2015</b>	We <u>recommend</u> that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.	The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks respond to our request.	The recommendation is implemented. Every time a letter is sent out changing signatures, a confirmation form to be completed by the bank is attached.  (Management considers this recommendation as closed)	Ongoing  Although we acknowledge the efforts of Management, the confirmation letters received from banks showed also this year that signature powers had not been updated
<b>Rec. 2/2015</b>	In consideration of the above-mentioned issues, <u>we recommend</u> that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.	The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.	Management reached out to the Legal Affairs and External Relations Bureau for an opinion on how to better regulate the ECAC/EUR-NAT operational banking activities. It appears that the most efficient solution in the short term is to explore if ECAC's governing council can adopt a resolution under which ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec. 3/2015</b>	Considering the increasing amount of outstanding contributions and the growing number of States affected, including those with short arrears, <u>we recommend</u> that Management should: i) monitor the effectiveness of the targeted instruments that have recently been introduced with a view to increasing the timeliness of payments; ii) endeavour to develop additional tools to enhance the still too limited impact of the agreements, by ensuring the correct implementation of the existing agreements and promoting their extension to other States.	The Recommendation is accepted. Management is committed to undertaking the following steps: 1. Issue monthly Statements of account by e-mail, to all States with outstanding contributions. 2. Invoices with the assessments due for the current year and outstanding arrears will be sent to all States at the beginning of the year. 3. Additional invoices will be provided to States upon request. 4. State Letters will be issued three times a year. 5. Status of Accounts Receivable will continue to be posted on Council website. 6. Management will consider developing additional tools to increase the number of States with Agreements and States' compliance with the terms of their Agreements.	Step 1 was completed effective in 2016 and will be repeated in going forward; monthly statements are issued by email to all states with assessments outstanding, current year and arrears. Step 2 was completed in the first quarter of 2016 and will be repeated in the same time frame after the closure of accounts in 2017. Step 3 is done throughout the period upon request. Steps 4 and 5 are implemented. Step 6: Individual follow-up is done on regular basis with States with arrears/agreements including participation from the Regional Offices with particular emphasis with States with large outstanding arrears at the beginning of an Assembly year.  (Management considers this recommendation as closed)	Closed
<b>Rec. 4/2015</b>	In relation to Publications and the Commissariat, in order to ensure (i) the accuracy of the inventory value recorded in the Financial Statements, and (ii) the correctness of the movement of items in the inventory, <u>we recommend</u> that a detailed procedure be established and implemented. Also, as stated last year in our Suggestion n.1(2014), attention should be given, through subsequent inventory verification exercises, to fair value of items, in particular items to be written-off.	The Recommendation is accepted. New procedures were established to verify and confirm inventories in 2016. In the Commissariat, these procedures will be further strengthened through the implementation of an automated system that continuously monitors inventory; the system will be in place prior to the end of 2016. Automated work flows for Publication inventories will be in place before the end of 2017.	New procedures were established to verify and confirm Commissariat inventories in 2016. A Commissariat Manager position was established to manage all elements of the Commissariat including inventory. In addition, an independent inventory control clerk verifies the delivery of product and reconciles packing slips from suppliers. A Financial Associate independently ensures that inventory is correctly entered into the Commissariat point-of-sale (POS) system, ensures monthly reconciliation of sales and undertakes spot checks of inventory records, customer accounts and pricing to ensure the accuracy of the POS system. These changes	Ongoing Based on our testing, while we acknowledge the efforts made by Management, we noted that some weaknesses remained in the process of recording and reconciling the movement of products (please refer to paragraph 23).  With regard to the publications' inventory, we also note that, as last year, the warehouse is still under

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>in procedure were incorporated into the Administrative Instructions and a Human Resource Plan which were reviewed and adopted by the Board of Management in April 2016.</p> <p>For the Publications inventory, a standard procedure is in place for conducting the inventory count each year. This includes suspending sales on the e-store, using multiple independent teams to count publications separately and cross verify data, reconciliation with the automated online system (Alcie) and Agresso, etc. In addition, a separate independent inventory exercise was conducted for publications on the second floor. On valuing publications, the standard used is price per page which is based on detailed costs of printing publications; this practise has been used and endorsed by the Organization virtually since its inception and is reflected in the Publications Regulations.</p> <p>(Management considers this recommendation as closed)</p>	<p>relocation outside ICAO premises and we will follow-up this issue during our future audits.</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec. 5/2015</b>	Following the comments under points a), b) and c) above, we took note of the initiatives currently undertaken by Management and of the new Administrative Instructions approved in December 2015, and we will look at the issue in a future audit. However, considering that some assets have not been recorded at EUR/NAT and also referring to the recommendations issued in specific reports by EAO and by our predecessors, who reported that this also happened in other ROs, <u>we recommend</u> that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value.	The Recommendation is accepted. All assets above CAD 300 should be incorporated in the IMS. EUR/NAT will take the necessary action to record all missing assets. Under the approved AI for PPE, it is the responsibility of each RO to assess, record and enter the asset data for the RO into the IMS. As per the approved AI, ADB has provided all ROs with the required scanning machines and training, to allow the RO to input asset data to the IMS.	Following the visit of the External Auditors in December 2015 and their findings, plus the training, software and equipment received from the HQ at the end of 2015, we have proceeded with the inventory as per HQ rules. The inventory (GSU and ICT) was finalised mid June 2016 and includes the items with the value of CAD300 and above. We have already informed the External Auditors and the HQ Inventory Management that the work has been completed and the full inventory will be sent, at the end of the year (2016), as part of the regular end of the year activities.  (Management considers this recommendation as closed)	Ongoing. Please refer to paragraph 31 and followings
<b>Rec. 6/2015</b>	ICAO policy on asset management, covering both HQ and the ROs, merits further implementation, and data should not be limited to disposed-of assets; therefore, <u>we recommend</u> that the procedures state more clearly that track should be kept of disposed-of assets, making such information available to HQ and the ROs, and that an indication be given of which are the items that are actively used or not.	The Recommendation is accepted. HQ and RO should keep track of all assets that has been disposed of. This has been completed at HQ. All ROs have been advised to keep all records of write-offs and disposed assets.	As per C-WP/14477, this recommendation has been completed at HQ. All Regional Offices have been advised to keep all records of write-offs and disposed assets as well.  (Management considers this recommendation as closed)	Ongoing. Please refer to paragraph 52 and followings

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec. 7/2015</b>	Although we consider the share of liabilities related to the UNESCO Medical Plan not to be material, we note that there is a difference between AON's calculation of actuarial liabilities and the one that should be made including also the population covered by the UNESCO MBP, in relation to the monthly rate that ICAO pays for them. Therefore, in order to provide a fair representation of the actuarial liabilities, we <u>recommend</u> that, starting from next year, AON should also include the UNESCO Medical Plan population in the calculation related to IPSAS 25.	The Recommendation is accepted. All staff and retirees under the UNESCO Medical Plan will be accounted for as if they are under ICAO MBP and will be evaluated by AON and included in the actuarial liabilities of ICAO.	For the 2016 actuarial valuation, instructions have been given to AON to consider all staff and retirees under the UNESCO Medical Plan as if they were under ICAO MBP.  (Management considers this recommendation as closed)	Closed
<b>Rec. 8/2015</b>	We <u>recommend</u> that ICAO should evaluate whether the function of the payment of salaries can be centralized in order to include TCB field General Services and National Officers and non-TCB consultants and, if necessary, reconfigure HQ Payroll's resources accordingly.	The Recommendation is accepted. An evaluation will be done to determine whether the payment of remuneration for these two categories of staff – (a) TCB field General Services and National Officers (b) non-TCB consultants – should be centralized in the HQ Payroll Office.	FIN has examined the issue in collaboration with TCB. There is a real problem in centralizing the payroll because Payroll Section would have to be augmented with additional resources. However, TCB Field staff is transient, and Payroll Section cannot be staffed with resources that can vary by volume. Neither can centralized cost be charged to the projects as a direct expense. Under the present operating model, the Project hires dedicated, and temporary, staff for this purpose, the cost of which is absorbed by the project. However, the Payroll Section offers help to TCB in training staff, making computations, and filing pension returns with UNJSPF.  (Management considers this recommendation as closed)	Ongoing Please refer to paragraph 112

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec. 1</b> <b>Report on Audit of ASHI</b>	<p>We recommend to Management to consider a modulation of the incidence of the cost of the ASHI scheme, following the solidarity principle, according to the level of gross salary/pension earned, given that in the current ASHI scheme, "premium" is not proportional to the size of the salary/pension.</p>	<p>Management will develop a scenario where the retiree's share of the related premiums for medical benefits is proportional to their pension.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing. Please refer to paragraph 65 and followings</p>
<b>Rec. 2</b> <b>Report on Audit of ASHI</b>	<p>We recommend to Management to consider also a threshold to the ICAO contribution to the ASHI scheme levelled on granting similar benefit of a reference State (for example RAMQ) but limited, in terms of risk, to the country where the pensioner is resident.</p>	<p>Management will consider a proposal where the excess cost of the premium attributable to worldwide coverage compared to national coverage is borne by the retirees. Where no national coverage exists, a premium similar to the one in Head Quarter (Class 2) will be used as reference.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. C-DEC 208/11 paragraphs 30-34 refer.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing. Please refer to paragraph 65 and followings</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p><b>Rec. 3</b> <b>Report on Audit of ASHI</b></p>	<p>After having re-modulated the ASHI scheme following the previous recommendations, <u>we recommend</u> that Management study a targeted opt-out incentive, assessing at the same time its cost-benefit against the ASHI “premium” paid by ICAO, evaluating also any possible negative impact on the ASHI scheme, when retirees decide to opt-out.</p>	<p>Once the previous modifications are implemented, Management will study targeted opt-out incentives.</p>	<p>The previous recommendations regarding the reduction in the ASHI benefits had been met with strong opposition from the ICAO staff Association and retirees representatives (CAFICS) as it impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that would remain unchanged in the future. This was presented to the Council which endorsed it. The opt-out option as the most impactful option studied by the actuaries was presented by FIN to the Life and Health Insurance Committee which includes members of Staff Association and CAFICS to explain the benefits/drawbacks of the opt-out option in order to initiate discussion and consultation with staff and retirees at large. We also assisted Human Resources (HR) in developing a monkey survey on the opt-out option to survey staff and retirees on the possibility to accept or not this offer. HR is advocating a discussion with Health Committee and other sister UN agencies before this is rolled out.</p>	<p>Ongoing</p>

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<p><b>Rec. 1</b></p> <p><b>Report on Audit of ROs KPIs</b></p>	<p>We recommend that Management consider to define a specific internal procedure (i) where internal and external risks are gathered also from ROs, and (ii) where achievable, time-bound and measurable specific objectives are agreed between HQ and RO, (iii) defining <i>how</i> and <i>who</i> should set objectives and <i>who</i> independently should monitor them through robust and credible KPIs.</p>	<p>Agree. In an effort to strengthen the coordination with the ROs, the Secretary General has tasked an existing staff member with RO coordination duties. (i) SG will ask ROs to provide internal and external risks, (ii) objectives have been identified for the ROs in the Business Plan 2017 – 2019, (iii) OSG monitors the KPIs.</p>	<p>(i) ROs have identified internal and external risks for 2017 in the C-WP/14570 <i>Annual Report to Council on Regional Offices' activities during 2016 and Operating Plans for 2017</i>, which is being presented to Council during the 210th Session. (ii) RO objectives are identified for the triennium in the Business Plan 2017 - 2019 and for 2017 in the Operating Plan for 2017, both of which shall be uploaded into the Corporate Performance Management Framework Tool (CPMFT) by the 211th Session of Council. (iii) RO KPIs (which are identified in the aforementioned Business Plan 2017 - 2019 and Operating Plan 2017) will be monitored regularly in the CPMFT starting from June 2017.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing</p>
<p><b>Rec. 2</b></p> <p><b>Report on Audit of ROs KPIs</b></p>	<p>After having implemented an internal procedure on the basis of the previous recommendation, considering that the Business Plan presented to Council has a three-year reference period and aims to provide information on the achievement of the Strategic Objectives, we recommend that Management inform periodically the Council on the on-going progress through an Activity/Progress Report which might disclose (i) the actual expenditures versus the budgeted ones, (ii) the deployment of staff according to objectives and (iii) the monitoring of KPIs.</p>	<p>Agree. Regular reporting, including financial figures, staff counts and performance are shared with the Council.</p>	<p>The Corporate Performance Management Framework Tool (CPMFT), a web-based system, underpinning the Business Plan, is being developed by the Secretariat to manage all operating plans and report on their progress and expected results. The CPMFT shall contain all relevant information pertaining to organization-wide performance, reporting and risk, and shall include in its first iteration the following components: Corporate KPIs; Key Outcomes and their respective Key KPIs (attributable to Strategic Objectives and Supporting Strategies); Deliverables, KPIs and Targets (attributable to Project/Key Activity level); Corporate Risks; and status of C-DEC and Assembly Resolutions. The CPMFT will be launched during the 211th Session of Council.</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p><b>Rec. 1/2014</b></p>	<p>Considering that the backlog in the appeal process at the AJAB raises the consideration as above stated, <u>we recommend</u> Management to start an internal review of the current procedures and resource capacities, in full respect of the Staff rules.</p>	<p>The recommendation is accepted.</p>	<p>Responsibility for this item is shared between ADB and LEB; this ought to be properly reflected in Symbiant. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. Work on this matter is ongoing.</p> <p><b>Update as of end February 2017:</b>  Responsibility for this item is shared between ADB and LEB. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and</p>	<p>Ongoing</p>

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			the possibility of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. A formulation of proposed procedural enhancements and required resource allocations is being prepared and will be submitted to stakeholders for consideration shortly, with a view to an amendment of the Staff Rules.	
<b>Rec. 2/2014</b>	As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.	Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.	FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.	Partially implemented  Management is providing relevant information to Council but further analysis is still needed (please see our special report " <i>Has Management developed effective actions to reduce ASHI actuarial liabilities?</i> ")
<b>Rec. 3/2014</b>	We <u>recommend</u> Management to be assisted by a full actuarial review study, to evaluate when the ICAO financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance scheme. The full actuarial study should be made available to Council before the starting of the new budget approval exercise	Accepted. We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO.	We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO.	Partially implemented  Management has presented a full actuarial study with certain assumptions to Council. Some solutions are still under consideration and then when agreed an evaluation would be needed on when financial health might be compromised (please see our special report " <i>Has Management developed effective actions to reduce ASHI actuarial liabilities?</i> ").

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec. 4/2014</b>	We <u>recommend</u> revising the conditions of Cigna's contract (formerly Vanbreda) in order to audit their performance.	Accepted. We will incorporate provisions in future contracts that will enable us to audit the payments made by the plan administrator.	<p>We will incorporate provisions in Future contracts that will enable us to audit the payments made by the plan administrator. In addition, a request to amend the existing agreement between ICAO-Cigna was presented to Cigna who agreed in principle to amend the agreement. The Proposed revised agreement is under discussion between Cigna and ICAO legal teams.</p> <p><b>Update as of end February 2017:</b> Cigna contract is only due for renewal in 2017. Change recommended by external auditor will be incorporated at time of contract renewal. The amendment to the existing contract between ICAO and CIGNA along with the contract extension is expected to be completed by the target date of 31 March 2017. The new contract is currently being finalised by Procurement following discussions with CIGNA on this matter.</p>	Ongoing

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<p><b>Rec. 5/2014</b></p>	<p>We <u>recommend</u> to start an internal comprehensive review process to identify: a) which differences can be regarded as justified in relation to a substantial disparity in needs and circumstances and, b) which differences require further harmonization, including through a change in the legal framework</p>	<p>Accepted. An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified.</p>	<p>Work on the harmonization of TCB Field Staff Rules and ICAO Secretariat Staff Rules has been initiated by TCB and ADB and is ongoing.</p> <p><b>Update as of end February 2017:</b> An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified. Due to exigency of work and shortage of HR in TCB a consultant will be hired within the first quarter of 2017 to conduct the reviews and make recommendations for adoption. Target conclusion date is 31 July 2017. Essential to advance in this process is the participation of HR from ADB, so the tentative date for completion (July 2017) is subject to HR availability to participate as counterpart.</p>	<p>Ongoing</p>

## ANNEX 2 – Follow-up to the suggestions issued in our previous reports

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 1</b>  <b>Report on Audit of ASHI</b>	When a decision is taken by the Council on possible corrective measures, <u>we then suggest</u> to Management to assess if the combined effect of all the measures decided by the Council would be sufficient to prevent any negative impact on the ICAO budget, as regards the funding of the core activities in the medium-long term.	Management will assess if the combined effect of all measures approved by the Council will be sufficient to prevent negative impact on the Budget and on the funding of the core activities.	Ongoing
<b>Sugg. 1</b>  <b>Report on Audit of ROs KPIs</b>	When the framework is enhanced through the implementation of our recommendations above, <u>we then suggest</u> to Management to timely evaluate if the performance of the HQ and ROs can be assessed and to consequently measure if objectives have been effectively achieved.	Agree. Performance evaluation and measurement will take place for all Bureaus and ROs of the Organization.	Ongoing
<b>Sugg. 1/2014</b>	In order to increase the accuracy of items recorded as inventory in the Financial Statements, we suggest that in the next inventory verification exercise, attention be accorded to fair value of items, in particular to those inventory items that should be written-off.	Accepted	Ongoing  Refer to recommendation 4/2015

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 2/2014</b>	We <u>suggest</u> Management to present to the Secretary General, in the context of the preparation of the year-end financial statements, an internal document containing i) statistics on existing litigations at AJAB and UNAT ii) to the extent possible, a more granular computation of the actual amounts claimed to assess whether the situation will impact the financial statements.	The suggestion is accepted	Ongoing
<b>Sugg. 4/2014</b>	We <u>suggest</u> Management, as remedial measures are needed, to define comprehensively a set of drivers and sub-drivers in advance, in order to identify which of them are more suitable for reducing the underfunding in the long term.	Accepted. Management will identify the variables that influence the funding of ASHI.	Ongoing Please refer to paragraphs 65 and followings
<b>Sugg. 5/2014</b>	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 8/2014</b>	Because the IT area has been identified as a major risk, we suggest to examine the possibility of adding to the EAO staff a permanent IT auditor, who could perform also other kinds of audits, leaving the existing budget: a) to enhance the training program for the staff, and b) to occasionally hire external audit experts in technical matters, related to the core business activity of ICAO (the aviation sector), in order to cover risks in these technical areas.	Accepted. The possibility of creating an additional post for an IT auditor will be considered as part of the budget setting process for the 2017 to 2019 triennium.	Closed Please refer to Recommendation n. 16

### ANNEX 3 – Follow-up to the recommendations issued by the French Cour des Comptes in their reports

Report	Recommendation raised by the Cour des Comptes	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p><b>Rec. 15</b></p> <p><b>Report for 2012 by the Cour des Comptes</b></p>	<p>Within the limits set out for support services in the next triennial budget, the Organization should consider granting ICT enough posts to ensure a satisfactory control of the main IT applications, including by reallocation from other sections.</p>	<p>Accepted. The Secretariat supports this recommendation. Options to grant ICT enough posts to perform its tasks will be identified within the available budget.</p>	<p>In progress</p> <p>ICT is underway converting existing key functions handled by consultants to two G7 and two P3 temp posts.</p> <p><b>Update as of end February 2017:</b> Two G7 positions and two P3 positions were created and filled in ICT.</p> <p>(Management considers this recommendation as closed)</p>	<p>Closed</p>
<p><b>Rec. 14</b></p> <p><b>Report for fy 2013 by the Cour des Comptes</b></p>	<p>An inventory was drawn up in the presence of all parties concerned in July 2012, further to which a letter was sent to the Director General of ADS. The Council could request the Secretariat to use this joint report in order to put the matter clearly and directly to the higher authorities of the host country.</p> <p>The external auditor has been told that the State, through ANACIM and ADS, has taken the responsibility and repair works are on-going (according to ICAO, in April 2014, about 75% were completed, and remainder -terrace, access road- were targeted for May 20th 2014).</p>	<p>This recommendation has thus been partially accepted by the Secretary General with a target date of 1st quarter 2014.</p>	<p>The works on the terrace and the access road were completed in May 2014; works are currently on-going for construction of an external parking on the land adjacent to the office (this followed formal requests to the Government by both ICAO Secretary General and Council President during visits to the State in the course of 2014). These latter works are 60% complete (parking area paved and 25 % of fencing done) and should be finished by the end of the first quarter of 2015.</p> <p><b>Update on 28 September 2016:</b> The level of progress on the outstanding item has evolved very little in the past 18 months (since the last reporting date). All efforts by the Regional office for action on the part of the responsible Agency of the State to complete the works on the land adjacent to the Office premises failed to yield any results. It is therefore recommended that the item be closed.</p> <p>(Management considers this recommendation as closed)</p>	<p>We will follow up this issue during our future audits</p>
<p><b>Rec. 17</b></p> <p><b>Report on Audit of TCB by the Cour des Comptes</b></p>	<p>We recommend fully and quickly implementing all of the Agresso modules, especially those relating to budget aspects.</p>	<p>The implementation schedule for Agresso modules rests with the IRIS project. The Agresso Budget Planner module is undergoing final acceptance testing by both FIN and TCB with final implementation scheduled before the end of the first quarter of 2010.</p>	<p>The post implementation review was conducted by the IRIS consultant along with the BSU and FOS team during the week of 16-20 September 2013. Requirements have been identified and reporting issues are to be addressed by the IRIS team. The upgrade to the module with added and improved functionalities was expected to be</p>	<p>Closed</p>

Report	Recommendation raised by the Cour des Comptes	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>implemented in April 2014. Due to shortage in staffing, the IRIS team was unable to meet TCB's automation and reporting requirements. A consultant has been contracted to assist IRIS in addressing all outstanding requirements on a full time basis. The consultant provided the necessary tool to facilitate upload of data into the module however further analysis identified a number of issues that, in the view of the Business Support Section (BSS) of TCB, required decision at Bureau level. In this regard, BSS facilitated a meeting on 9-Sep-15 between FOS, FPS and IRIS to agree on all the outstanding issues. BSS consequently drafted a preliminary list of requirements on 23-Sep-15 for FOS to review and add to for submission to IRIS but no response has been received from FOS to date. The Agresso consultant has concluded her contract on 16-Oct-15 however the full list of completed deliverables is not available to BSS as her line of reporting was to FOS. During the exit meeting held the same day, it was determined that there are numerous unresolved issues at FOS' level and it was agreed that FOS would submit a detailed list of their requirements to IRIS (no deadline was established) in order for the module to move further. In the absence of the crucial facts mentioned above, BSS is not able to report any confirmed factual information on this issue, which would allow for assessing the status of development regarding the Budget Planner, nor an estimate of a possible new target date for completion of the work still required. As per D/TCB's decision, this recommendation has been re-assigned to C/FOS for action.</p> <p><b>Update as of end February 2017:</b> The Planner Module in AGRESSO has been completed and implemented, according to TCB's requirements. The BSU staff in TCB have been trained.</p> <p>(Management considers this recommendation as closed)</p>	