Corte dei conti

LA SEZIONE DI CONTROLLO
PER GLI AFFARI COMUNITARI ED INTERNAZIONALI

Composta dai Magistrati:

Dott. Giovanni COPPOLA Presidente della Sezione
Dott.ssa Maria Annunziata RUCIRETA Consigliere
Dott. Giacinto DAMMICCO Consigliere
Dott. Carlo MANCINELLI Consigliere
Dott.ssa Laura D’AMBROSIO Consigliere
Dott. Alessandro FORLANI Consigliere

Nell’Adunanza del 10 maggio 2019

Visto il mandato di external auditor dell’International Centre for Genetic Engineering and Biotechnology (ICGEB) conferito alla Corte dei conti dal Board of Governors dell’ICGEB nella sua XX riunione tenutasi a Trieste il 13-14 maggio 2014;

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’ICGEB per l’anno finanziario 2018 trasmessi in data 8 maggio 2019;

Udito il relatore Presidente di Sezione Giovanni Coppola ed esaminati e discussi su sua proposta l’audit certificate e il report relativi all’Audit of the Financial Statements at 31.12.2018 - ICGEB;
DELIBERA

di approvare l’ audit certificate e il report relativi all’ Audit of the Financial Statements at 31.12.2018 - ICGEB;

DISPONE

di trasmettere copia dell’audit certificate e del report al Direttore generale dell’International Centre for Genetic Engineering and Biotechnology (ICGEB).

IL PRESIDENTE RELATORE

F.to Giovanni Coppola

Depositata in Segreteria il 14 maggio 2019

Per il Dirigente

F.to Ettore Passarelli
REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CENTRE
FOR GENETIC ENGINEERING
AND BIOTECHNOLOGY
(ICGEB)

Audit of the Financial Statements at 31.12.2018
10th May 2019
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INTRODUCTION

The legal basis for the External Auditor’s audit is set out in Article X of the ICGEB Financial Regulations (May 2015 edition) and in the Additional Terms of reference governing the audit of the ICGEB (Annex I).

This report informs the Board of Governors of the results of our audits.

The audit looked at the ICGEB Financial Statements as at 31 December 2018 and their consistency.

This financial period is governed by the above mentioned ICGEB Financial Regulations and the Financial Statements are presented in compliance with the International Public Sector Accounting Standards (IPSAS).

Financial Statements as at 31 December 2014 were United Nations System Accounting Standards (UNSAS) compliant. Between the end of 2014 and throughout the year 2016, ICGEB experienced a complex transitional phase moving from UNSAS to IPSAS Standards.

For instance, the combined effect of implementation of our previous years’ recommendations and some adjustment required by the IT tool used for accounting (Metodo) led in financial year 2016, to a new restatement of the values at 31.12.2015 (and 1.1.2016). Therefore, Management assessed that a new IT accounting software was needed for answering to the challenges of an International Organization, and accounting data have been migrated to a new software (SAP), gone live in mid-2018 for the Trieste and Capetown Component. The New Delhi Component will go live in 2019.

We audited the accounts for the Financial Year 2018, according to the INTOSAI standards, the IPSAS regime and according to the Financial Regulations and Rules of the ICGEB (May 2015 edition) and the Additional Terms of reference, which are an integral part of the ICGEB Financial Regulations.

We received the report and the finalised version of the Financial Statements on the 22nd of March 2019.

The Letter of Representation referring to the Accounts for the Financial Year 2018, signed by the Director General on the 22nd of March 2019, was included in the Financial Statements and is an integral part of the audit documentation.

The declaration of “no fraud liability”, signed by the Director General on the 22nd of March 2019, was added to the Financial Statements and is an integral part of the audit documentation.
We planned our activities in line with our audit strategy in order to obtain a reasonable assurance that the Financial Statements were free from material misstatement.

We evaluated the accounting principles made by Management and we assessed the adequacy of the presentation of information in the Financial Statements.

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.

Through the audit, we obtained a sufficient basis for the opinion given in the audit certificate.

During the audit, all questions were discussed and clarified with the officials responsible. The audit team, while informing in general terms the Director General, Professor Mauro Giacca, on the progress of the audit, had regular in-depth discussions with Ms. Maria Luisa Fichera, Chief Legal and Administration, and with members of her staff or staff in other Departments, depending on the subject matter under consideration.

Pursuant to § 9 of the Additional Terms of reference governing external audit, we received the comments by the Director General for inclusion in this report on the 8th of May 2019 and we duly incorporated them in the report.

We highlighted the results of our audit activity as “Recommendations” and “Suggestions”. “Recommendations” fall under the implementation process carried out by the Management directly, while, with regard to “Suggestions”, their implementation by the Management is discretionary, unless the ICGEB Board of Governors ask the Director General to implement them. Where an issue is outside the Management’s remit, we might draw the Board of Governors’ attention to the matter.

We were asked by the ICGEB’s Management to carry out a specific audit certification on grants of the South African National Research Foundation to researchers operating within the South Africa Component of ICGEB. This audit certification, which was additional with regard to the audit mandate agreed upon between the ICGEB and the External Auditor, was issued on 6th March, 2019.

During 2018 we carried out a visit to the Component of South Africa of ICGEB, where we obtained direct information on the relevant issues. For the first part of the year 2019, we planned our audit so as to concentrate our working sessions in the Trieste Component.
Finally, we wish to express our appreciation for the courtesy and helpfulness shown by all the ICGEB officials to whom we had cause to request information and documents.
AUDIT CERTIFICATE

Opinion

We audited the financial statements of the International Centre for Genetic Engineering and Biotechnology (ICGEB), which comprise the statement of financial position as at 31 December 2018, the statement of financial performance, the statement of changes in net assets, the table of cash flows and the comparison of budgeted amounts and actual amounts for the 2018 financial period, as well as notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Centre for Genetic Engineering and Biotechnology (ICGEB) as at 31 December 2018, and its financial performance, its changes in net asset, its cash flows and its comparison of budgeted and actual amounts for the year then ended, in accordance with IPSAS and the Financial Regulations and Rules of the ICGEB.

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ICGEB Financial Regulations and Rules. In the field of financial statements audit, the ISSAIs are a direct transposition from the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs as far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ICGEB in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
Other Information

The ICGEB Director General is responsible for the other information. The other information comprises the “report of the Director-General on the General programme of the Centre”.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the ICGEB Director General and Those charged with governance for the Financial Statements

The Director General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for assessing the ICGEB’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Director General either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICGEB’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICGEB’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICGEB’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the ICGEB to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, the transactions of ICGEB that have come to our notice or that we have tested as part of our audit have been, in all significant respects, in accordance with the ICGEB Financial Regulations and Rules and its legislative authority.

In accordance with the ICGEB Financial Regulations and Rules (Article X) and with the Additional Terms of reference governing the audit (Annex 1 to these Financial
Regulations and rules), we have also issued a detailed report on our audit of the ICGEB Financial Statements for 2018

Rome, May 10th, 2019

Angelo Buscema
President of the
Corte dei conti
STRUCTURE OF THE FINANCIAL STATEMENTS

- The ICGEB Financial Statements prepared and presented in compliance with IPSAS 1 included the following elements.

- Statement of financial position (Statement I) – Statement of Financial Position as at 31 December 2018 with comparative figures as at 31 December 2017, 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 2018, showing the Surplus/Deficit for the financial year.

- Statement of Changes in Net Assets for the year ended 31 December 2018 (Statement III), showing the value of the Net assets including the surplus or deficit for the Financial Year.

- Cash Flow (Statement IV); table of cash flows for the period closed on 31 December 2018, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investments and financing transactions and the treasury totals at the end of the Financial Year.

- Comparison of Budget and Actual Amounts (Statement V) for the 2018 financial period.

- Notes to the financial statements for the year 2018, providing information about accounting policies and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

IPSAS IMPLEMENTATION

1. At its fourteenth session (Trieste, 25-26 October 2007), the Board of Governors decided that ICGEB should adopt the International Public Sector Accounting Standards (IPSAS) by the year 2010. However, due to a number of objective difficulties, including the finalization of the new Enterprise Resources Planning (ERP) system, to be introduced by the Centre (“Metodo”), and in line with most of the Organizations within the United Nations system, the effective date of adoption of the new accounting standards was postponed to 1 January 2015. The ICGEB Financial Regulations were subsequently revised accordingly, to bring them in line with IPSAS terminology and reporting requirements (Decision ICGEB/BG.21/15).

2. ICGEB has thus adopted the International Public Sector Standards (IPSAS) since 1 January 2015, restating the values, previously recorded and certified as at 31 December 2014 in the ICGEB’s Financial Statements, in compliance with the
United Nations System Accounting Standards (UNSAS). In the years 2014 and 2015, this passage from UNSAS to IPSAS involved ICGEB in a complex transitional phase.

3. In the consideration that a relevant part of the adjustment carried out during 2016 were due to weaknesses detected in the IT tool used for accounting (Metodo), and, also in consideration that the mentioned IT tool resulted not adequate for an accurate recording of the Components’ transactions, Management decided to install and implement a new IT accounting software (SAP), which started working in the mid of 2018, for the components of Trieste and Capetown, meanwhile for the New Delhi component’s the ICGEB headquarter has decided to maintain the imprest account system, with the objective to go live in 2019.

4. We audited the accounts for the Financial Year 2018, according to the INTOSAI standards, the IPSAS regime and according to the Financial Regulations and Rules of the ICGEB (May 2015 edition) and the Additional Terms of reference, which are an integral part of the ICGEB Financial Regulations.

5. We are aware of the efforts made by the Management in implementing the accounting system according to IPSAS. We thanks the Management for providing us, in a very transparent way, with all the information needed for the certification process.

6. According to our Mandate, as laid down in article X of the Financial Regulations and its Annexes, in particular 10.5 FR states that “The External Auditor may make observations with respect to the economy, efficiency and effectiveness of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Centre”.

The newly purchased Accounting Software

7. During our audit of the new ERP Software (SAP), which replaces the previous Software Metodo, we understood that ICGEB selected to purchase from an IT developer company (CAP GEMINI) a “pre-defined” SAP version called UNiversePath.

8. We understood from ICGEB Management that staff members are still working on its implementation and at the same time they are studying how to implement and harmonize the internal procedures with the new ERP System.

9. The SAP version is composed of three main Modules:
(i) Purchase SCM, which will regulate, when it will be fully operational, purchase requests and orders, warehouse management, logistics and asset master data creation etc.;

(ii) Budget PSM, which is regulating at the moment 2018 budgetary entries;

(iii) Finance and Controlling FIN, which will manage petty cash, assets, payments and all necessary postings needed to perform the trial balance and Financial Statements.

10. It is useful to mention that ICGEB Management decided to buy this “pre-defined” SAP version called UNiversePath, in order to have savings compared to customization of an SAP version for the three Modules.

11. Management is exploring the potential of this version of SAP, and, at the same time, is trying to solve shortcomings through in-house procedures, entering data manually in the ERP system; moreover, staff members are also assessing eventual potential needs of further implementation. However, essential configurations might require cost not easily bearable with the current level of budget funding.

12. At this matter came to our attention during our interim audit of the 2018 financial statements, we made a suggestion in a letter addressed to the Management on the 30th of October 2018. To this letter the Management replied with a letter dated 13th April 2019. We write down herewith the text of our suggestion and the comments made by the Management in their letter of reply dated 12th April 2019.

**Suggestion n. 1**

13. In order to proactively predict potential serious shortcomings in the accounting entries in the software which might require specific customization from the IT developer company, we suggest that Management prepare, after the closing of the Financial Statements, a document where all the potential areas, that might require additional customization, are listed, specifying: i) potential costs, ii) cost-effectiveness of a potential customization, iii) prioritize the essential ones. In this case Management will be aware of what possible cost might be bearable in the comings years and could prepare a timely action plan to solve shortcomings.

**Comments by ICGEB**

The Management shares the content of the suggestion outlined in the External Auditors’ letter and confirms that all appropriate measures shall be implemented.
14. Furthermore, due to the fact that FIN and SCM modules are still under implementation by ICGEB staff, we had a desk review only of the PSM (Budget module) and we understood from Management the followings:

(i) Core Budget related to financial year 2018, as approved by Board of Governors (BoG) has been entered into the system for the three Components, Trieste (TS), New Delhi (ND) and Cape Town (CT). It is fully operational and has been entered by the Budget Officer in TS. In this way there is a guarantee that data entry is performed homogeneously.

(ii) Budget related to External Funds have been entered by the TS Head of External Funds Administration only for TS and not for the other components (CT and ND). Budget related to financial years prior to 2018 have been provided by the Budget Officer and put into SAP by the Head EFA, while budget relevant to new external funds awarded in 2018 have been directly inserted into SAP according to the contract received or grants’ needs.

15. As this matter also came to our attention during our interim audit of the 2018 financial statements, we made a recommendation in our letter mentioned in paragraph 12 and received a reply by the Management in their letter, also mentioned in paragraph 12.

16. We write down herewith the text of our recommendation and the comments made by the Management in the cited letter of reply.

Recommendation n. 1

17. We acknowledge the fact that the new SAP Module PSM has enhanced the level of internal control at ICGEB, also through an automatic block of every expenditure not covered by related budget appropriations. However, in particular in relation to the External Funds budget, we recommend Management that, in order to guarantee an enhancement of the internal control system and homogeneous entries within all the three Components, for the new projects starting in year 2018, the one person designated by Management approves the consistency of their budget structure in SAP with what stated in the relative contract.
Comments by ICGEB
We confirm that according to the ICGEB Governance structure, the Director General will ask the Directors of the Components to ensure that the relevant administrative officers approve the consistency between the budget structure in the ERP with the specific content of the contracts, in particular as for as the projects starting in 2018 and funded by External funds are concerned.

STATEMENT OF FINANCIAL POSITION 2018

ASSETS

18. In accordance with IPSAS 1, Assets in the year 2018 were distinguished between “Current” and “Non-Current”; they amounted to 54,475.4 thousand of EUR (kEUR), an increase in overall terms of 5,910.7 kEUR (+12.2%) as compared to the value recorded at 31.12.2017, which amounted to 48,564.7 kEUR. This increase was mainly due to an increase in (i) “Cash and Cash equivalents” (+1,726.7 kEUR), (ii) “Contribution receivables” (+1,823.6.7 kEUR, and +502.5 kEUR for the part recorded as “Non-Current Assets”) and (iii) to “Property, plant and equipment” (+1,073.4 kEUR).

CURRENT ASSETS

19. “Current Assets” consisted mainly of a) “Cash and Cash equivalents”, amounting to 18,801.2 kEUR, representing 34.5% of Total Assets; b) “Investments”, amounting to 6,317.0 kEUR, representing 11.6% of Total Assets; c) “Contribution receivables”, totalling 12,741.9 kEUR, representing 23.4% of Total Assets; d) “Other receivables”, amounting to 70.9 kEUR (0.1% of Total Assets); e) “Inventories”, totalling 129.5 kEUR (0.2% of Total Assets); f) “Other current assets”, totalling 4,184.7 kEUR, representing 7.7% of Total Assets. g) “Deferred/Accrued”, totalling 55.0 KEUR (0.1% of Total Assets). The basis for the evaluation of assets is set out in the Notes.

Cash and cash equivalent

20. The heading “Cash and cash equivalent”, totalling 18,801.2 kEUR, increased by 1,726.7 kEUR (+10.1%) as compared to 17,074.5 kEUR in 2017; it included Bank accounts in Trieste, New Delhi and Cape Town in EUR, USD, INR and RAND and cash in hand as at 31 December 2018. They represent around the 34.5% of the Total Assets and they weigh 44.4% of the Current Assets. A detailed breakdown of Cash and cash equivalents is shown in Note 2.
21. We asked all the banks with business relations with ICGEB to confirm the current account balances as at 31 December 2018. We verified that the account balances had been properly recorded in the accounts. All variances detected were explained and justified. It has to be mentioned that, as in the past years, we did not receive a limited number of direct confirmations (for instance in 2018 three bank accounts plus one rectifying letter were not received; in 2016 two banks accounts were not obtained). This limited our work in the area, although the ICGEB’s Management made effort to enable us to obtain them. With reference to the two missing banks’ confirmation letters, the Management provided us with copies of the statements as at 31.12.2018 and we used them for our audit.

22. In any case, for the above-mentioned reasons we decided to maintain the recommendation 1/2017 as ongoing in the follow-up table (see annex I).

Updating of lists of authorized signatures at banks

23. During our analysis of the banks’ confirmations, we did not detect any discrepancy between the signatories’ lists received from the banks and the lists kept at the Headquarter, except for a slight difference; however, Management, when informed by us, acted promptly, giving us clarification on this difference.

Investments

24. The heading “Investments”, totalling 6,317.0 kEUR at 31.12.2018, representing 11.6% of total Assets (6,314.5 kEUR at 31.12.2017), has been classified into “Current Assets” according to maturity. The investments were with: i) Banca Generali, held in Euro, equivalent to 2,259.1 kEUR (in 2017: 2,319.4 kEUR), representing around 35.8% of the total Investments (in 2017 they were representing 36.7%), the decrease is due to a loss in capital invested due to negative market trend in 2018; ii) Canara Bank and Bank of America, held in Indian Rupees (INR), totalling 3,577.2 kEUR (in 2017: 3,528.6 kEUR, representing 56.6% of the total Investments (in 2017 they were representing 55.9%); iii) State Bank of India, held in USD, totalling 480.7 kEUR (in 2017: 466.5 kEUR), representing 7.6% of total Investment. Details on Investments are shown in Note 3.

Contribution receivables

25. Contribution receivables from Member States and Donors were composed of “current” and “non-current” and were recorded at nominal value less allowance for doubtful receipts (for a detailed breakdown refer to Note 4). The methodology used is indicated in the Notes.
a) Current Contribution Receivables: 12,739.9 kEUR in 2018, an increase of around 16.7% as compared to the value of 10,918.3 kEUR recorded at 31.12.2017; they represented 23.4% of Total Assets and were related mainly to External Funds managed in the Components of Trieste and New Delhi.

b) Non-Current Contribution Receivables: 6,352.7 kEUR in 2018 (including the reduction of 1,195.3 kEUR; in 2017: the reduction was 1,028.9 kEUR), with an increase of 502.5 kEUR (+8.6%) as compared to the value of 5,850.2 kEUR recorded at 31.12.2017; In Note 4 Non-Current contributions receivable by Member states are totalling 2,324.3 kEUR in 2018, substantially stable when compared to 2017 (2,441.3 kEUR). They were recorded according to the accounting policies stated in Note 1.

Enhancing actions for recovering assessed contributions from Member States

26. As reported in the previous paragraph, in note 4 are specified the assessed contributions receivable from Member States. These assessed contributions are collected by ICGEB in United States Dollars (USD). We asked Management to provide documentation on the performance of recovering assessed contributions in the last financial years.

27. In relation to actions performed for recovering unpaid assessed contribution from Member States, last year we issued a recommendation (2/2017) where we recommended that “Management takes every possible further action to recover the unpaid sum”. Considering the relevance of the amount still to be recovered, although we acknowledge the efforts made during 2018 for recovering part of them, we consider the recommendation still as “ongoing” (refer to follow-up table-Annex 1).

Other receivables

28. Other receivables amounted to 70.9 kEUR in 2018 (37.7 kEUR in 2017). They represented 0.1% of Total Assets. A detailed breakdown of “other receivables” is shown in Note 5.

Inventories

29. According to IPSAS 12, all items in the warehouses were recorded, in the year 2018, in a dedicated account and were disclosed in the Financial Statements. The heading “Inventories”, totalling 129.5 kEUR, decreased by 83.7 kEUR (-39.3%) as compared to 213.2 kEUR at 31.12.2017.
30. In relation to the warehouse of the Trieste Component, we obtained and checked the lists of recorded items. We carried out a random physical stock-check on selected inventory items. We did not identify any major issue that might have an impact on Financial Statements; however, we noticed that some obsolete items were still recorded with a value. Management assured us that they will address the matter and update the item when new recording procedures will be developed in SAP.

**Recommendation n. 2**

31. In consideration that, during our audit, obsolete items were still recorded at a given value, we recommend to Management updating the inventories as to reflect the fair value of the items in stock.

**Comments by the Director General:**

The Management acknowledges the recommendation and confirms that a strategy has already been developed to either write-down obsolete stock or to update items value in line with IPSAS principles.

**Other assets**

32. Other Assets, composed of “current” and “non-current”, are detailed in Note 7.

33. Other Current Assets: 4,184.7 kEUR in 2018, an increase of 669.9 kEUR, around 19.1% as compared to the value of 3,514.8 kEUR recorded at 31.12.2017; they represented 7.7% of Total Assets and were mainly related to Collaborative Research Programs.

34. Other non-Current Assets: 1,082.8 kEUR in 2018, a decrease of 65.9 kEUR, around -5.7% as compared to 1,148.7 kEUR recorded at 31.12.2017; they represented 2.0% of Total Assets and were mainly related to Collaborative Research Programs.

**NON-CURRENT ASSETS**

35. “Non-Current Assets” consisted mainly of: a) “Contribution receivables”, totalling 6,352.7 kEUR (11.7% of Total Assets); b) “Property Plant and equipment”, amounting to 4,099.7 kEUR (7.5% of Total Assets); c) “Intangible Assets” totalling 638.5 kEUR (1.2% of Total Assets); d) “Other non-current assets” totalling 1,082.8 kEUR (2.0% of Total Assets); e) “Investments”, on the contrary were reclassified
under “Current” following our recommendation 3/2016 (refer to Annex 1). The basis for the evaluation of assets is set out in the “Summary of significant accounting policies” (Note 1: Accounting Policies).

**Property, Plant and Equipment**

36. In order to comply with IPSAS 17, capitalized assets were recorded in a dedicated account, disclosed in the Financial Statements and depreciated according to Management Rules indicated in Note 1.

37. The heading “Property, Plant and Equipment”, totalling 4,099.7 kEUR, increased by 1,073.4 kEUR (+35.5%) as compared to 3,026.3 kEUR at 31.12.2017. They were depreciated according to the Management Rules illustrated in Note 1 “Significant Accounting Policies”.

38. We obtained and checked the lists of assets and we carried out a random physical check of items recorded in the fixed asset register at the Trieste Component.

39. We acknowledge the efforts made by Management, also in relation to the entry into force of the new accounting software (SAP) and, as already indicated in the previous years, we stress again the importance of the accuracy of the inventory under IPSAS rules and we highlight the fact that an accurate asset register is a key tool for an efficient and effective asset management.

40. During our audit at the Trieste component, we have also checked the accurate registration of the selected assets and the fact that the assets were purchased following the ICGEB procedures. We detected that some assets were not recorded in the register and we ascertained that there were two different groups of assets not recorded: (i) items provided by Area (the campus hosting ICGEB) before the introduction of the IPSAS, under the control of ICGEB and now considered property of ICGEB and (ii) items rented and not purchased. Furthermore, in the latter case, we also noticed that procurement procedures were not followed, therefore it was not possible to assess if the price paid guaranteed the best value for money principle to ICGEB.

**Recommendation n. 3**

41. According to our findings, detected during our audit of the assets recorded in the register, **we recommend** that Management: (i) correctly record all the items in control of ICGEB, according to IPSAS 17, in the register and (ii) purchase any assets through the “Procurement Unit” following all the steps provided in the ICGEB Procurement Manual.
Comments by the Director General:
Management acknowledges the recommendation and confirms that (i) the 2019 floor-to-register asset verification will be carried out by a person designated with the responsibility of identifying any unlabelled “Area” asset present on the premises; and (ii) rental contract negotiation will be centralized in the Procurement Unit with a view at standardizing procedures.

Intangible Assets
42. The heading “Intangible assets”, totalling 638.5 kEUR, increased by 210.5 kEUR (49.2%) as compared to 428.0 kEUR at 31.12.2017. The increase is mainly due to the capitalization of the new IT accounting software. They were depreciated according to the Management Rules illustrated in Note 1.

LIABILITIES
43. Total Liabilities in 2018 amounted to 34,727.5 kEUR, an increase of 5,711.0 kEUR (19.7%) as compared to the value at 31.12.2017 (29,016.5 kEUR). The basis for the evaluation of Liabilities is set out in the Notes.

CURRENT LIABILITIES
44. “Current Liabilities” amounted to 19,588.2 kEUR, an increase of 4,484.5 kEUR (+29.7%) as compared to the value at 31.12.2017 (15,103.7 kEUR).
45. They consisted mainly of: a) “Advance receipts” (1,596.5 kEUR) representing 4.6% of Total Liabilities; b) “Employee benefits” (3,696.4 kEUR) representing 10.6% of Total Liabilities; c) “Payables and accruals” (3,284.9 kEUR) representing 9.5% of Total Liabilities; d) “Other current Liabilities” (1,466.9 kEUR) representing 4.2% of the Total Liabilities; e) “Deferred revenues” (9,539.8 kEUR) representing 27.5% of Total Liabilities; f) “Deferred/accrued liabilities” (3.7 kEUR). The basis for the evaluation of current liabilities is set out in the Notes.

NON-CURRENT LIABILITIES
46. “Non-current Liabilities” amounted to 15,139.3 kEUR, an increase of 1,226.5 kEUR (+8.8%) as compared to the value recorded at 31.12.2017 (13,912.8 kEUR) and they weighted 43.6% of the Total Liabilities; this increase was mainly due to “Non-current Deferred revenues” (+931.6 kEUR) and to “Employee benefits” (+427.4 kEUR).
47. They consisted mainly of: a) “Employee benefits” (8,738.7 kEUR) representing 25.2% of the Total Liabilities; b) “Other non-current liabilities” (1,016.2 kEUR), representing 2.9% of the Total Liabilities; c) “Deferred revenues” (5,384.4 kEUR) representing 15.5% of Total Liabilities. The basis for the evaluation of non-current liabilities is set out in the Notes.

Deferred revenues

48. Deferred revenues were composed of “current” and “non-current” and were related mainly to grants received by ICGEB from donors, as described in “Accounting Policies” (Note 1).

   a) Current deferred revenues: 9,539.8 kEUR in 2018, an increase of around 52.1% as compared the value of 6,270.4 recorded at 31.12.2017; they represented 27.5% of the Total Liabilities and were related mainly to grants obtained by the three Components.

   b) Non-Current deferred revenues: recorded at 5,384.4 kEUR in 2018 as compared to the value of 4,452.8 kEUR recorded at 31.12.2017 (+20.9%). they represented 15.5% of the Total Liabilities

49. A detailed breakdown of deferred revenues is shown in Note 15.

Employee Benefits

50. Calculation of the Employee benefits has been disclosed in Note 12 and they are related to liabilities for rights granted to staff such as separation allowance, repatriation grant, accrued leave, education grant, home leave.

51. The provision for the separation allowance and repatriation grant has been determined in-house taking into consideration a forecast of 30 years and, although not actuarial, it will be adjusted in the future according to the real data in the most prudential way by Management, with an assumption of a 5% increase for every future year, for 5 years, then multiplying the last amount by 25.

52. Moreover, it is worthwhile mentioning that the ICGEB Staff Rules do not provide for the payment of After Service Health Insurance (ASHI) to staff, therefore Management did not include any ASHI liabilities.

53. Employee benefits were composed of “current” and “non-current”:

   a) Current Employee benefits: 3,696.4 kEUR in 2018, an increase of around 3.0% as compared the value of 3,588.8 kEUR recorded at 31.12.2017; they represented 10.6% of the Total Liabilities;
b) Non-Current Employee benefits: recorded at 8,738.7 kEUR in 2018 as compared to the value of 8,311.3 kEUR recorded at 31.12.2017 (+5.1%). they represented 25.2% of the Total Liabilities.

54. A detailed breakdown of Employee Benefits is shown in Note 12.

NET ASSETS

55. Net Assets of the Organization at year-end comprised: i) accumulated surpluses and deficits; ii) Reserves; iii) Surplus/Deficit of the year (94.2 kEUR). In 2018, Net assets resulted in a positive value of 19,747.9 kEUR, with an increase of 199.7 kEUR (+1.0%) as compared to 31.12.2017 (19,548.2 kEUR); details are shown in Statement III.

STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 31.12.2018

56. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis, in order to explain the year’s surplus or deficit. The result of the period is a surplus of 94.2 kEUR.

REVENUE

57. Total Revenues amounted to 23,280.0 kEUR, with a decrease of 2,836.4 kEUR (-10.9%) comparing to 26,117.0 kEUR at 31.12.2017, and were composed of:

   a) “Voluntary Contributions”, totalling 21,342.1 kEUR in 2018 and representing 91.7% of Total Revenues; they decreased by 9.6% (-2,276.9 kEUR) comparing to the previous year (23,619.0 kEUR);

   b) “Assessed contributions”, totalling 1,233.0 kEUR in 2018 and representing 5.3% of Total Revenues; they decreased by 23.2% (-373.3 kEUR) comparing to the previous year (1,606.3 kEUR);

   c) “Revenue-producing activities”, totalling 303.7 kEUR in 2018 and representing 1.3% of Total Revenues; they decreased by 23.0% (-90.7 kEUR) comparing to the previous year (394.4 kEUR);

   d) “Financial Revenue”, totalling 310.1 kEUR in 2018 and representing 1.3% of Total Revenues; they decreased by 30.2% (-134.0 kEUR) comparing to the previous year (444.1 kEUR);

   e) “Other revenues”, totalling 91.7 kEUR in 2018, and representing 0.4% of Total Revenues; they increased by 72.4% (+38.5 kEUR) comparing to the previous year (53.2 kEUR).

58. A detailed breakdown of Revenues is disclosed by Management in Note 20.
EXPENSES

59. Total Expenses amounted to 23,186.4 kEUR, an increase of 1,038.8 kEUR (+4.7%) comparing to 22,147.6 kEUR at 31.12.2017 and were composed:

a) “Wages, salaries and employee benefits”, totalling 11,567.1 kEUR in 2018, representing around 49.9% of Total Expenses; they increased by 14.3% (+1,449.5 kEUR) comparing to the previous year (10,117.6 kEUR);

b) “Extra-mural activities”, as reported in Note 21.3, they have been discontinued due to the IPSAS requirements to classify these expenditures by nature; therefore, they are recorded under other headings;

c) “Travel and DSA”, totalling 1,226.7 kEUR in 2018 and representing around 5.7% of Total Expenses; they increased by 7.6% (93.6 kEUR) comparing to the previous year (1,226.7 kEUR);

d) “Fellowships”, as reported in Note 21.4, they have been discontinued due to the IPSAS requirements to classify these expenditures by nature; therefore, they are recorded under other headings;

e) “Supplies and consumables”, totalling 3,984.5 kEUR in 2018, and representing around 17.2% of Total Expenses; they increased by 21.0% (+691.8 kEUR) comparing to the previous year (3,292.7 kEUR);

f) “Currency exchange differences”, totalling 24.6 kEUR in 2018 (corresponding to a loss in the exchange activity of the year) and representing around 0.1% of Total Expenses;

g) “Depreciations”, totalling 1,581.8 kEUR in 2018 and representing around 6.8% of Total Expenses; they increased by 61.2% (+600.4 kEUR) comparing to the previous year (981.4 kEUR);

h) “Employee Benefits provision reconciliation”, totalling 427.5 kEUR in 2018 and representing around 1.8% of Total Expenses; they represent the amount resulting from gain and loss of the provision calculated as explained in Note 12 and they are mentioned in Note 21.8;

i) “Other expenses”, totalling 1,588.8 kEUR in 2018 and representing around 6.9% of Total Expenses;

j) “Utilities & Premises”, as reported in Note 21.9, they have been considered this year for the first time and they are related to Premises’ maintenance and utilities and in prior years they were considered under “Other expenses”.

60. A detailed breakdown of the Expenses was disclosed by Management in Note 21.
**Recommendation n. 4**

61. During our audit in a Component, we verified that the amounts of a transaction was related to an invoice dated 2017 were carried forward to 2018. In this regard, there is the need, first of all, to explain whether the financial resources were anticipated by the Researcher or by the Administration, for us to ascertain the formal coverage of the transaction.

62. About the date of the invoice, Management explained to us that there is sometimes a certain delay between the invoice arrives in the laboratory and the date of receiving it in the Administration; this could lead in errors in the declaration to donors. Taking it into account, we therefore recommend to Management (a) inserting a note and/or stamp explaining the reasons of the delay and the date of the Administration receiving the invoice and (b) starting a process to eliminate such delays; for instance, an internal note could be sent to all the researchers, asking that any invoice (even in copy) be forwarded to Administration as soon as it arrives in ICGEB.

**Comments by the Director General:**

Due note has been taken of the recommendation. It is confirmed some measures have been already put in place the content of this recommendation.

**Recommendation n. 5**

63. During our audit in a Component of amounts paid for a Workshop, although we understood from Management that, in that Component, the number of workshops is very limited during a given year, we observed that there was not a summary report of the logistical indications and specifications of the workshop itself. This would specifically relate to the post-award process of an ICGEB funded event. We therefore recommend to Management, also for assuring homogeneity across Components, having a standardised form, where the detailed objectives and logistical specifications, related to the hosting of the workshop itself, could be indicated. In this way, even the competitive process to be maintained in the choice of venues, hotels and/or travel Agents might result in more effective and in compliance, when needed, with the ICGEB Procurement rules.
Comments by the Director General:
Management acknowledges recommendation and assures efforts will continue to increase homogeneity across the Components.

STATEMENT OF CHANGES IN NET ASSETS FOR YEAR ENDED 31.12.2018
64. The Statement III, “Statement of changes in net assets”, shows movements during the year 2018, ending in a positive value of the net assets, amounting to 19,747.9 kEUR at 31 December 2018.

CASH FLOW STATEMENT FOR YEAR ENDED 31.12.2018
65. The Statement of cash flows 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.
66. In 2018 ICGEB reported a positive cash flow of 1,729.2 kEUR from operating activities, whilst the Net cash flows from investing activities were negative (-2.5 kEUR). The net result in cash and cash equivalents showed a positive value of 1,726.7 kEUR in 2018. 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 is thus verified and confirmed.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 31.12.2018
67. Statement V, “Comparison of budget and actual amounts for the year ended 31 December 2018”, 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. The Standard also envisages that the reasons for the material differences between budget and actual amounts should be disclosed. Further details concerning Statement V, which relates only to the regular contributions portion (core funds), are provided in Note 22.

Cooperation between the Internal Auditor and the External Auditor
68. The Office of Internal Audit (OIA) Charter prescribes that Internal Auditor should share information and coordinate with the External Auditor’s activities in order to ensure the widest audit coverage of the ICGEB activities and to avoid duplication of audit works and an overlap of audit effects. On this issue we can mention that
information, such as findings and audit documentation, was properly shared with
the Internal Auditor and that the communication and cooperation between us was
effective.

69. We received from OIA, twelve Internal Audit Observations relating to 2018,
addressing a range of issues, most of which noted satisfactory findings and some
which highlighted some perceived internal control weaknesses. The Internal
Auditor reported to us that Management has already implemented, or is currently
implementing, the Recommendations contained in the Internal Audit Observations,
and that corrective action has been or will be carried out, as appropriate. However,
it was noted that that in relation to the Internal Audit Observations submitted, one
Recommendation was not agreed and accepted by one Component.

**Recommendation n. 6**

70. During our assessment of the Internal Audit work, we observed that one
Recommendation issued was not accepted by one Component without a
coherent explanation. We therefore recommend to the Director General that this
Recommendation be re-examined by Management, with a view to addressing the
perceived risk highlighted by the Internal Auditor.

**Comments by the Director General:**

The Management has taken note of the recommendation. Management will re-
examine the Recommendation of the Internal Auditor, thus taking into consideration
the External Auditors’ above recommendation.

**FOLLOW-UP TO OUR AND TO OUR PREDECESSORS’ RECOMMENDATIONS**

71. We followed up the implementation of the recommendations and suggestions
issued in our previous report. In Annexes 1 and 2 are shown the follow-up tables,
which include the comment received from ICGEB Management and the current
status of their implementation.

72. Furthermore, we have reviewed all the audit recommendations issued by our
predecessors, with the comments received from ICGEB Management at the time
of the issuance of their Report as well as at 31.12.2018, and the current status of
their implementation is illustrated in Annex 3.
73. The recommendations and suggestions that this year are evaluated as “closed” will not be included again in next year’s Audit Report, unless they need a follow-up on an annual basis.
ANNEX I – Follow-up to our recommendations issued in our previous report for financial years 2015, 2016 and 2017

<table>
<thead>
<tr>
<th>N.</th>
<th>Recommendation raised by Italian Corte dei conti</th>
<th>Comments received from Director-General at the time of the issuance of our report</th>
<th>Comments of ICGEB Management on the status at 31.12.2018</th>
<th>Status on actions taken by Management as evaluated by Italian Corte dei conti at 31.12.2018</th>
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<tr>
<td>Rec. 1/2015</td>
<td>Codified written procedures over accounting processes were implemented partially or in a limited manner. We recommend Management to continue the efforts to define a comprehensive set of written procedures shared, agreed and respected by all the ICGEB’s Components and monitored by a unique Focal Point appointed by Management.</td>
<td>Due note has been taken of this recommendation. The effort of preparing shared policies and procedures on several issues has already been started and will continue. The majority of the procedures will be shared and respected by all of the ICGEB Components. Certain procedures are strictly connected to the geographical nature of the components and therefore Management will make sure are written and respected for those specific component. The finalization of procedures with regards to the accounting processes depends on the full implementation of the ERP, which is still undergoing customizations. Full implementation of the shared policies and continued adherence to them will be monitored by an appointed focal point, as recommended.</td>
<td>Management has taken note of the recommendation. In 2018 the new ERP software has been put in place, day by day accounting work posted following UNPath standard procedures and the Financial Statements for the year 2018 produced directly from the system. The software house named Cap Gemini has prepared a tailored manual with codified written procedures for all the accounting areas now implemented. The manual has been shared with the Components for reference to the standard accounting activities. Nonetheless, it has been noticed that some transactions were not clearly explained and that some more details or explanations could help. Therefore some accounting procedures have been written by Headquarter and shared with Cape Town component (as it went live in SAP during 2018) and New Delhi (during the current year as they are live in SAP from 1.1.2019). The same activity will be done in the future for any other matter that could need a deeper explanation. For any area still not fully included in the actual ERP, codified written procedures will follow.</td>
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<td>Rec.</td>
<td>On the issue of investments in financial instruments […], in accordance with IPSAS 28, 29 and 30, we recommend Management to enhance the level of disclosure related to all relevant information about risks […], and, in particular, to carry out a sensitivity analysis on the financial investments.</td>
<td>Management has taken note of the recommendation. All necessary steps will be implemented to ensure that the Banks in which the Centre investment are held will provide appropriate risk disclosure, as required by IPSAS 28,29 and 30. This will also involve obtaining the necessary documentation for appropriate sensitivity analysis on financial investments.</td>
<td>Management confirms that the level of disclosure related to all relevant information about risks has been enhanced. Report obtained from Banks when involving investments, is taking into consideration and disclosing the risks as required by IPSAS 28,29 and 30.</td>
<td>Ongoing</td>
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<td>2/2015</td>
<td>We recommend Management to go on with their efforts to recognize and capitalize the fixed assets located in each of the three Components.</td>
<td>We acknowledge the recommendation. Management has already commenced discussions to define, harmonize the procedure and finally recognise and capitalise fixed assets, whenever appropriate.</td>
<td>Management wishes to confirm that following the implementation of the new ERP, all Assets are now included into the system.</td>
<td>Closed</td>
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<tr>
<td>Rec.</td>
<td>In case of change of accounting software, we renew our recommendation (1/2015) to define codified written procedures over accounting processes before the implementation of the new ERP, in particular we recommend Management to dedicate adequate resources to the transition from “Metodo” to the new accounting software, with suitable security backup facilities and appropriate disaster recovery plan, in order not to lose relevant accounting information.</td>
<td>Due note has been taken of this recommendation. During the course of 2016, workflow for the three major areas, namely Employee benefits, PP&amp;E and Revenue were codified, written and shared within the organisation. These workflows will be elaborated along with other areas, into procedures, taking into account the functions offered by the new ERP, in order to limit customizations and costs. Regarding the security backup facility and disaster recovery plan, the ICGEB will make sure that these aspects are included in the proposal/contract with the ERP provider, which is currently in the initial phase of negotiation.</td>
<td>As far as the codified procedures are concerned, please refer to comment for Rec 1/2015. Regarding the data from old software Metodo is concerned, only the closing balances as on 31/12/17 have been migrated to the new ERP. The master data has also been created/migrated in new ERP. As far as the transactional data of prior years in Metodo is concerned appropriate steps will be taken to maintain a backup also considering that ICGEB has started exploring cloud solutions to be implemented in very near future.</td>
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<td>Rec. 2/2016</td>
<td>In case of change of accounting software, considering that, at the date of our audit, banks’ reconciliations and movements are accounted in detail only at Components’ level while for financial statement purposes in “Metodo” some of these positions, in particular in relation of investments, are aggregated, we recommend to record the bank accounts separately.</td>
<td>We acknowledge the recommendation although we would like to highlight that in all the three Components, current accounts are already maintained separately and listed accordingly in the trial balance to the Financial Statements. As far as the investments accounts are concerned, during the year 2018 the Management will do efforts in order to better detail and classify all the investments by nature as already currently done with some of these.</td>
<td>Due note has been taken of this recommendation and wishes to confirm this will be completed in 2019 for the entire ICGEB.</td>
<td>Ongoing</td>
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<td>Rec. 4/2016</td>
<td>As stated in Note 1.9 “Significant Accounting Policies” “depreciation is provided for property, plant and equipment over their estimated useful life”, we recommend Management to prepare a procedure, at least for highly valued technical tools, that will establish clear and consistent criteria amongst Components on how to estimate newly the useful life, reassessing the value of assets fully depreciated but still in use, also repaired and still working.</td>
<td>We acknowledge the recommendation. This aspect of reassessing the value and useful life of the assets fully depreciated, will be considered during the implementation of the new ERP in order to have a certain degree of automation, as the number of assets in use at the organization is significantly high. Conditional to the options the new ERP will permit, Management will either take a decision to increase the economical life of the assets, taking into account their usefulness, and/or reassess their value beyond depreciation.</td>
<td>The implementation of the ERP is continuing. Once the ERP is fully implemented and the organisation will entirely go-live the feasibility of estimating the new useful life will be analysed taking into account the compatibility with the new ERP and also the cost effectiveness compared to the advantage foreseen for the Centre.</td>
<td>Ongoing</td>
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<td>1/2017</td>
<td>In consideration of the fact that “Cash and Cash equivalents” is mainly composed of the balance of bank accounts, representing in 2017 around the 35% of the “Total Assets”, and also recalling the importance for the auditor’s assurance to receive confirmation letters from Banks, not having received also this year a limited amount of bank’s confirmation, we recommend Management to continue and enhance its efforts for inducing the banks to send timely the confirmation’s letters to the External Auditors.</td>
<td>Management acknowledge recommendation and assures efforts will continue to enable the External Auditors to receive the balances of ICGEB accounts from Banks. However it is noted this is a two-way process between the External Auditors and Banks. Some of the difficulties hampering the receipt of confirmation letters are to ascribe to the frequent and wide turn-over in this area of business. Other difficulties might come from the confirmation system chosen by some Banks and their single secure web-based platform which, albeit allows the effective management and control of confirmation process and thus resulting in fraud risk reduction, is a complex and time consuming procedure.</td>
<td>Management acknowledge recommendation and assures efforts were consistently made and will continue to enable the External Auditors to receive the balances of ICGEB accounts from Banks. However it is noted this is a two-way process between the External Auditors and Banks. Some of the difficulties hampering the receipt of confirmation letters are to ascribe to the frequent and wide turn-over in this area of business. Other difficulties might come from the confirmation system chosen by some Banks and their single secure web-based platform which, albeit allows the effective management and control of confirmation process and thus resulting in fraud risk reduction, is a complex and time consuming procedure.</td>
<td>Ongoing</td>
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<td>2/2017</td>
<td>In consideration of the relevance of the amount of outstanding assessed contributions vis-à-vis the total revenue of the Organization reached in the financial year 2017 and in consideration of the low trend of recovering registered over the years, we recommend that Management takes every possible further action to recover the unpaid sum.</td>
<td>Due note has been taken of the recommendation. It is confirmed Management has already put in place some measures to recover outstanding assessed contributions. During the year others will be undertaken since this is one of the priorities of the newly recruited Chief of External Relations.</td>
<td>Management has taken note of the recommendation. Since the recruitment of the Chief of External Relations, some positive results have been already achieved with three countries with significant arrears contributing to the regular budget of the organization.</td>
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<td>Rec. 3/2017</td>
<td>During our audit we observed that a number of expenditures were authorized by the same person having initiated the request: although there was no impact on the accounts, we recommend Management to prepare a detailed policy and a procedure which requires, before arriving to the authorization of purchase, three independent signatures, for instance, on the initial request, on the authorization for the recognition of appropriate funding for purchase, and on the final approval by high level Management. In case the initial request of purchase is initiated by a high-level Manager, final approval should be provided by an alternate.</td>
<td>Management has taken note of the recommendation. A detailed procedure will be developed for the entire organisation, establishing additional rules for all purchase authorizations, thus taking into consideration the External Auditors’ recommendation.</td>
<td>Management wishes to confirm the appropriate measures are now in place to fulfill the recommendation of the Auditors. The new ERP facilitated the establishment of this procedure and in addition to this, other measures have been taken by the organization to nominate alternates when the purchase involves a high-level manager.</td>
<td>Closed</td>
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</table>
### ANNEX II – Follow-up to our suggestions issued in our previous reports for financial year 2014, 2015, 2016 and 2017

<table>
<thead>
<tr>
<th>N.</th>
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<td>Sugg. 5/2014</td>
<td>Although we acknowledge that a biennial work was presented in relation to budget exercise, also considering that an ERM has not yet been implemented, we suggest OIA to adopt a multi-year audit plan, on a rolling cycle, based on a risk assessment exercise.</td>
<td>Due note is taken of the suggestion: the Director-General will liaise with the Internal Auditor, accordingly.</td>
<td>Due note is taken of the suggestion: the Director-General will liaise with the Internal Auditor, accordingly.</td>
<td>Ongoing</td>
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<td>Sugg. 2/2015</td>
<td>We also suggest that the accounting IT system should adhere and follow such set of codified procedures. Consequently, automatism for accounting entries should be implemented whenever possible, in particular with a view to harmonizing different accounting treatments in the Components.</td>
<td>Due note has been taken of this suggestion. Particular attention will be given to the automation of processes aimed harmonizing the accounting procedures and practices across the Components. This will depend on customization of the ERP, which is ongoing.</td>
<td>The ERP is based on standard transaction and therefore automatisms for accounting entries are already followed since the implementation has been completed.</td>
<td>Closed</td>
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<td>Sugg. 3/2015</td>
<td>In relation to items recorded as Inventory in the Financial Statements, we suggest Management to consider whether it is appropriate or not, subject to cost/effectiveness evaluation, to have a warehouse in each of the three Components, in particular with regard to consumables financed through specific project funding.</td>
<td>Due note has been taken of this suggestion. Management has already started a process to evaluate the cost-effectiveness of creating a warehouse in all the three Components, especially concerning consumable items. This analysis will take into account the necessity to devote specific budgetary and personnel resourced to the task, as compared to the amounts of residual inventories involved.</td>
<td>The process of evaluation of the cost effectiveness of creating warehouse in all three components will continue also taking into account the implementation of the new ERP.</td>
<td>Ongoing</td>
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<tr>
<td>Sugg. 4/2015</td>
<td>[...] we suggest that every new asset should be labelled and booked in the accounts when it is delivered to any of the ICGEB’s Components. It would be also advisable that the tracking and recording of the asset be performed by a unit different from the unit that requested and acquired the asset.</td>
<td>Due note has been taken of this suggestion. The Management is confident that the assets are properly maintained in the three Components. The issue will be addressed taking into account the budgetary and workforce implications.</td>
<td>All the assets comprising that of New Delhi, have been included in the new ERP. The new ERP follows the segregation of roles very strictly, which will anyway be reviewed once fully implemented.</td>
<td>Closed</td>
</tr>
<tr>
<td>Sugg. 7/2015</td>
<td>We acknowledge the effort of management in implementing a written procedure over “grants”; however, due to the different accounting treatment requested by IPSAS over grants classified as with “conditions” or as with “restrictions”, we suggest that, once an assessment is performed by a Component, the classification is revised by a centralized unit before entries are booked.</td>
<td>Due note has been taken of this suggestion. Management has already taken the necessary steps in this direction. The action will continue until completion.</td>
<td>Due note has been taken of this suggestion. Management has already taken some steps in this direction but wishes to highlight that although liaison, suggestions and advice are provided from central Units, Components are autonomous although applying the same procedures due to the newly implemented ERP.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>N.</td>
<td>Suggestion raised by Italian Corte dei conti</td>
<td>Comments received from Director-General at the time of the issuance of our report</td>
<td>Comments of ICGEB Management on the status at 31.12.2018</td>
<td>Status on actions taken by Management as evaluated by Italian Corte dei conti at 31.12.2018</td>
</tr>
<tr>
<td>----</td>
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<tr>
<td>Sugg. 1/2016</td>
<td>[...] during our physical stocktaking, we noted that the procedure that regulates the consumables' usage, applied through the “Storeroom Requests Form”, might have better implemented; therefore, in order to provide further assurance in internal controls, we suggest to strengthen the authorization and collection process of consumables, for instance having the signature of the Group Manager (or a delegated person alternatively) and of the person in charge of collecting the items.</td>
<td>Management confirms that a procedure in line with the suggestion is being finalized for internal distribution.</td>
<td>Management confirms that appropriate measures have been taken and are in place, in line with the suggestion.</td>
<td>Closed</td>
</tr>
</tbody>
</table>
ANNEX III - Follow-up to the recommendations issued by Auditor General of South Africa in their reports for financial years 2012 and 2013

<table>
<thead>
<tr>
<th>N.</th>
<th>Recommendation raised by Auditor-General of South Africa</th>
<th>Status as reported by ICGEB Management related to Auditor-General of South Africa’s report</th>
<th>Comments received by ICGEB Management on status as updated at 31.12.2018</th>
<th>Status on actions taken by Management as evaluated by Italian Corte dei conti at 31.12.2018</th>
</tr>
</thead>
</table>
| Rec. FY 2012 reiterated for FY 2013 (par. 8, lett. f) | Management of non-expendable equipment  
Activate the asset management module of the new management information system so as to replace the current spreadsheet solution for the centre’s asset registers. | The new ERP system has gone “live” for the Procurement Unit effective 20 October 2014. The Management is currently working with the software developers to have also the asset register transferred on the new system: its usage, however, will also depend on the policy guidelines to be implemented upon the shift to IPSAS, in the course of 2015. | Management wishes to confirm that from this year all assets are in the system. | Closed |