CORTE DEI CONTI

LA SEZIONE DI CONTROLLO

PER GLI AFFARI COMUNITARI ED INTERNAZIONALI

Composta dai Magistrati:

Dott.	Giovanni	COPPOLA	Presidente
Dott.ssa	Maria Annunziata	RUCIRETA	Presidente
Dott.	Giacinto	DAMMICCO	Consigliere
Dott.	Carlo	MANCINELLI	Consigliere relatore
Dott.ssa	Laura	D'AMBROSIO	Consigliere
Dott.ssa	Igina	MAIO	Consigliere
Dott.	Michele	COSENTINO	Consigliere
Dott.ssa	Marcella	PAPA	Referendario
Dott.	Giulio	STOLFI	Referendario

Nell'Adunanza del 30 ottobre 2020

Visto il D.P. n. 153 del 18 maggio 2020 pubblicato nella G.U. n. 131 del 22 maggio 2020 recante "Regole tecniche e operative in materia di svolgimento delle camere di consiglio e delle adunanze in videoconferenza e firma digitale dei provvedimenti dei magistrati nelle funzioni di controllo della Corte dei conti";

Viste le modalità indicate dalla DGSIA per lo svolgimento delle adunanze e camere di consiglio in videoconferenza - versione 1.0 del 26 maggio 2020;

Viste le regole tecniche della DGSIA riguardanti la procedura per la sottoscrizione con firma digitale dei provvedimenti dei magistrati nelle funzioni di controllo - versione 2.0 del 26 maggio 2020;

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 38ª 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 39ª sessione con risoluzione n. A39/36, in data 29 settembre 2016;

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

Visto lo *Special Report "Efficiency and effectiveness of the Human Resources management at ICAO"*, approvato nell'adunanza del 26 ottobre;

Ricevuti in data odierna i commenti inviati dal Segretario generale dell'ICAO;

Udito il relatore Consigliere Carlo Mancinelli ed esaminato e discusso su sua proposta lo *Special Report "Efficiency and effectiveness of the Human Resources management at ICAO"*;

DELIBERA

di approvare il Report definitivo *"Efficiency and effectiveness of the Human Resources management at ICAO"*, contenente i commenti del Segretario Generale dell'ICAO, con i quali vengono accettate le raccomandazioni formulate.

DISPONE

di trasmettere copia del R*eport* al Segretario Generale dell'*International Civil Aviation Organization (ICAO)*.

IL RELATORE	IL PRESIDENTE
Carlo Mancinelli	Giovanni Coppola
f.to digitalmente	f.to digitalmente

Depositata in Segreteria il
Il Dirigente
Maria Pia Gubbiotti
f.to digitalmente

Corte dei conti

SPECIAL REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Efficiency and effectiveness of the Human Resources management at ICAO

PERFORMANCE AUDIT

2020

The Audit Team

This special report sets out the results of a performance audit of the area of HR at ICAO.

The audit team of this performance audit was led by Mr. Carlo Mancinelli, Counsellor of the Corte dei conti's Audit Chamber for European and International Affairs, with the support of Mr. Stefano Penati, Senior auditor.

This report has been approved by the Audit Chamber for European and International Affairs.

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Glossary and abbreviations

ADB	Bureau of Administration and Services
APAC	Asia and Pacific (region)
CAPSCA	Collaborative Arrangement for the Prevention and Management of Public Health Events in Civil Aviation
CEB	(UN system) Chief Executives Board for Coordination
COBIT	Control Objectives for Information and related Technology
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRR	Corporate Risk Register
ERM	Enterprise Risk Management
FPS	Field Personnel Section
FSSR	Field Service Staff Rules
GA	(UN) General Assembly
GAT	Global Aviation Training
HLCM	High Level Committee on Management
HRN	Human Resources network
ICSC	International Civil Service Commission
JIU	Joint Inspection Unit
TCB	Technical Cooperation Bureau

Executive Summary

I. Our audit focused on the rules and procedures adopted by the Organization for the human resources management, to check if they are efficient, effective and transparent, and also if they are in line with the common practices in force within the UN system.

II. We concluded that, in order to enhance efficiency and effectiveness of the human resources management in the organization, with a view also to the cost containment, the current framework should be redesigned, after a deep analysis of its compliance with common and recommended models within the UN system.

III. With this aim, in this report we issued three recommendations, designed to add value to the human resources management framework.

IV. At its meeting of 30 October 2020, the Audit Chamber for European and International Affairs of the Corte dei conti approved and adopted the present report.

Introduction

Audit background

1.   During our Mandate as External Auditors at ICAO, we focused our financial and performance audits also on HR issues.

2.   In relation to performance, we issued the special report "*Is the ICAO recruitment process efficient and effective?*", with 2 recommendations (one of which still ongoing) and 4 suggestions (of which, two are still ongoing). In our long form reports on the financial statements also, we have addressed some recommendations and suggestions on HR issues; currently, is still pending the implementation of 1 suggestion and 1 recommendation.

3.   Further to our previous report and observations, an important reference for our audit have been the JIU reports JIU/REP/2012/4, JIU/REP/2019/1, and the EAO reports IA/2015/5, IA/2016/3, IA/2019/1.

4.   In particular, the Internal Auditor presented a report on "Recruitment of ICAO Staff" (IA/2019/1), where 11 Recommendations were issued.

5.   In August 2018, an analysis on harmonization of staff rules was presented by ADB, with the advice of LEB, to the SG.

6.   We obtained the November 2018 version of the proposal for the said harmonization, as well as the excel file comparing ICAO Service Code, ICAO Staff Rules and Field Service Staff Rules and the persistent differences among them. Mostly, such differences have been justified by the different need of the two offices in recruiting and managing staff and field services. An analysis of this comparation is presented in some following paragraphs.

7.   Although a coordination between ADB and TCB is observed, we intend to evaluate which level of coordination or integration could/should be reached for a better level of transparency and accountability of ICAO HR management, focusing also on the cost-benefit and effectiveness of the current framework when coordinating and generally managing so differentiated personnel at HQ, in Local offices and in the field.

Audit objectives and methodology

Audit question

8.   The main audit questions are:

   a) Balancing effectiveness and accountability at ICAO in the HR framework: is the current system **designed** effectively and efficiently, at legal and managerial level, following UN and international reference standards and good practices?

   b) Avoiding duplication of functions: is the current HR framework **supervised** economically, effectively and efficiently when HR resources and budget is managed by two different Bureaux?

   c) Are risks related to ICAO HR framework mitigated by an effective and efficient system of internal control, which also follows international standards and good practices?

9.   This audit, which will take place at the level of ADB and TCB, focuses on the cost-benefit and effectiveness analysis of human resource management, having two different Bureaux, A) managing the different recruitment and qualitative assessment processes for permanent, temporary and field personnel, including – where possible – also the consultants, and B) performing two different system of controls, sanctions and controls.

10.   As stated in our audit questions, we will try to assess if the duplication of functions are increasing (or not) risks that could impact on the legal and managerial HR framework in term of efficiency and effectiveness of the processes and internal controls.

Audit work and approach

11.   A continuous audit review, both on financial and performance aspects of the HR framework, has been always carried out on a rotational basis over HR management, accounting and different functions during our six-year mandate (see above, audit background" paragraphs).

12.   A preliminary specific audit work, focused in determining the objectives and scope of this audit, was carried out from the beginning of October 2019 and November 2019.The audit visits for the on-the-spot work were carried out in October-November 2019.

13.   The audit team got direct contacts with the relevant Management of ADB and TCB, with regular requests for data and supporting documents.

14.   In particular, we examined different sources of information:

   - TCB – Administrative Instruction on Contracts for Internationally Recruited Consultants and Individual Contractors – reviewed draft – version January 2019;

   - TCB – Administrative Instruction on Contracts for Operational Assistance Experts (OPAS) – reviewed draft – version January 2019;

- TCB – Administrative Instruction on contracts for locally recruited service contractors – reviewed draft – version January 2019;

- Internal Audit Report on the recruitment of experts and other personnel for TCB projects (IA/2016/3);

- Internal Audit Report on the employment of individual consultants/contractors by ICAO HQ (IA/2015/5);

- Internal Audit Report on recruitment of ICAO staff (IA/2019/1);

- JIU report on staff recruitment in United Nations system organizations: a comparative analysis and benchmarking framework (JIU/2012/4).

- JIU report on review of management and administration in the International Civil Aviation Organization (JIU/2019/1).

15. Audit evidence was obtained from (i) meetings with Management of ADB, (ii) meetings with Management of TCB, (iii) desk reviews of the documents above and of the ones received, (iv) analysis of the JIU Reports and (v) analysis of the EAO's Reports.

Timeline and limitation of scope

16. Due to the COVID-19 pandemic, both ICAO and the Corte dei conti were forced to switch to remote working mode. This caused a time consuming and difficult interlocution with the Organization, especially with ADB Management, to get the information and documents requested.

17. Nevertheless, due to several requests not answered in reasonable time by ADB, we had to limit our scope and redefining our audit objectives accordingly, focusing, as stated in the previous paragraph, on the potential risks on effectiveness and accountability on having HR capacities, although with different objectives and duties, both in TCB and ADB, instead of auditing more extensively the effectiveness of the HR framework at ICAO.

18. Therefore, the work related to this specific performance audit was carried out from May 2020 to the end of September 2020 by a team composed of other auditors.

19. The draft of our report was sent directly to ICAO SG for comments on 21 October 2020. We received a first response on 27 October 2020. The dialogue with the management took place through an exchange of emails. We received the official comments by the Secretary general on 30 October 2020 and, in the same date, the report was definitely approved by the Audit Chamber.

Acknowledgement

20. We wish to thank ICAO Management and staff able to provide timely assistance and cooperation during the audit.

Observations and findings

ORGANIZATIVE HR SCHEME AT ICAO: ADB and TCB

21.   Management of personnel at ICAO is ordinarily entitled to ADB and, for recruiting and managing Field Staff, to TCB, which offers short- and intermediate-term work opportunities supporting civil aviation projects.

22.   As stated on the ICAO website "*ICAO's Technical Co-operation Programme provides advice and assistance in the development and implementation of projects across the full spectrum of civil aviation aimed at the safety, security, environmental protection and sustainable development of national and international civil aviation. The Programme is conducted under the broad policy guidance of the ICAO Assembly and of the Council. Subject to general guidance by the Secretary General, the Technical Co-operation Programme is executed by the Technical Co-operation Bureau (TCB).*"

23.   In addition, the website also reports that "*Since its establishment in 1952, TCB has implemented civil aviation projects with an accumulated value in excess of US$ 2 billion. (…). To date, TCB has provided assistance to over 115 countries, deploying annually approximately 1200 international and national experts.*":

24.   The statements above show that the Director of TCB is accountable directly to the Secretary General, and not to ADB, and manages his budget in full independence from the Regular Budget.

25.   Furthermore, on the website is also stated that "*ICAO's Technical Cooperation Field Personnel Section can manage the selection and recruitment process from start to finish, including designing terms of reference, writing and publishing vacancy announcements in web-based and print media, screening and interviewing applicants and negotiating contract terms on behalf of governments. ICAO's Technical Cooperation Field Personnel Section collaborates closely with governments throughout, thus guaranteeing their full participation in the process.*" (…) "*With a network of seven regional offices, we are able to offer experts and governments alike guidance on all aspects of human resources management that includes information on field service staff rules and regulations, appropriate contractual modalities and up-to-date techniques and standards for managing performance, developing talent and guiding organizational change*" and "*By handling all aspects of personnel contracts and entitlements, ICAO's Technical Cooperation Field Personnel Section allows governments to focus on achieving their project goals. ICAO's Technical Cooperation Field Personnel Section services include administering salaries, medical insurance, international relocations and other relevant benefits and entitlements. ICAO's Technical Cooperation Field Personnel Section.*"

26.   This statement shows the importance and relevance of TCB as key office for recruitment and managing HR resources at ICAO, although with specific personnel contracts.

HR framework in the *UN* and at international level: risks and internal controls

27. Management and those charged with governance often try to improve organizational performance as well as comply with applicable laws and regulations.

28. Internal control, which serves many purposes, is a way to help organizations performance: as a general statement, every organization's model in the public and/or private sector present risks, which could be mitigated by effective internal controls and related framework.

29. In general terms, if Management of a given Organization focuses only on inherent and control risks of a model, even acting to mitigate them, without considering the effectiveness, efficiency and potential scale-economies of such model, it might not provide the stakeholders with a full picture of what should be the actions needed in that Organization to increase the performances and/or the cost/benefit ratio of a given framework.

30. As a matter of fact, we should consider that at international level, *both private and public,* does not exist a precise reference model for HR, although several reference models exist that should be duly constantly considered and continuously reviewed by Management in order to create, and/or maintain regularly, a cost-effective HR framework.

UN reference models and good practices: Human Resources Network (HRN)

31. ICAO is part of the Human Resources Network (HRN), which reports to the High-Level Committee on Management (HLCM). According to its website, "*the HR Network brings together Directors of Human Resources departments from over thirty UN and related organizations at its biannual meetings, which are held prior to those of the International Civil Service Commission (ICSC)*".

32. Furthermore, on the website is stated that "*The Network provides strategic advice and leadership in the management of human resources, focusing on specific strategic issues of interest to HR Directors, as well as preparing views and proposals to the HLCM and ICSC as well as liaising with the Federations of Staff Associations. The HR Network facilitates Delivering as One by harmonizing and reforming human resource business practices and through enhancing and facilitating inter-agency mobility. The Network coordinates the implementation of the UN Cares and the UN Dual Career and Staff Mobility programmes across the UN system.*"

33. In addition, "*The HR Network has two major roles: a) to provide strategic advice to the Chiefs Executives of the system on human resources management developments, ensuring best practices across the system and b) to prepare, on behalf of the CEB, input and exchange with the International Civil Service Commission (ICSC), which is responsible for the regulation and coordination of the conditions of service of the United Nations common system*"

34. Furthermore, on the website is also reported that "*To support the management of its programme of work, the HR Network has developed four strategies: a) to provide strategic advice and leadership in the management of human resources, focusing on specific strategic issues of interest to HR Directors, preparing views and proposals to HLCM and liaising with other HLCM Networks and liaising with the Federations of Staff Associations; b) to facilitate delivering as one by harmonizing and reforming as much as possible the HR business practices across the UN system and enhancing and facilitating inter-agency mobility; c) to enhance the efficiency and effectiveness of HR policies, practices and the compensation package, covering topics such as gender balance, persons with disabilities, inter-agency mobility, and others; d) to coordinate the implementation of programmes for the UN system: UN Cares and the UN Dual Career and Staff Mobility programme.*"

35. And, finally, "*The High-level Committee on Management (HLCM) human resources management agenda has, as its overarching goal, the continued development of the international civil service as an independent, neutral, highly skilled and engaged resource to meet the ever-changing requirements of the international community.*" and "*Through the High-level Committee on Management, CEB also engaged in a comprehensive experience exchange on the implementation of good practices in performance management in its member organizations. Based on the continued work of an Inter-Agency Working Group on Performance Management, CEB members presented and discussed good experiences and lessons learned with regard to managing performance of teams and individual staff members.*"

36. As highlighted above, the Network could therefore be a valuable reference and help for ICAO when seeking for "strategic advice" on HR: nevertheless, we observed that ICAO a) has not formulated specific requests to the UN HLCM on what should be the best reference model for HR management at ICAO, nor b) has asked HRN if models exist within the UN that, same as ICAO, maintain an HR framework with a dual management, having two different Directors accountable to the SG for the same subject.

UN General Assembly and its resolutions 62/208 and 64/289 for improved harmonization in human resources: "harmonization" and "cost savings".

37. It is important to highlight that the Human Resources Network makes reference also to the following: "*Responding to the call by the General Assembly in its resolutions 62/208 and 64/289 for improved harmonization in human resources, a pilot project promoting harmonized recruitment practices in the field has been successfully completed and is currently being expanded in additional pilot countries for subsequent global adoption. Tools have been created to simplify joint recruitment in order to speed up hiring and to increase mobility for national officers and General Service staff in the field in the "Delivering as one" pilot countries*" and "*The CEB secretariat continued to act as focal*

point for the methodological issues and regular updating of rates for short-term staff performing interpretation, translation and related functions.(…)

38. The mentioned Resolutions "reiterate" that "*the objective of the simplification and harmonization of business practices within the United Nations development <u>system is to harmonize and simplify rules and procedures wherever this can lead to significant cost savings and/or a reduction in the administrative and procedural burden on the organizations of the United Nations development system and national partners</u>, bearing in mind the special circumstances of programme countries, and to enhance the efficiency, accountability and transparency of the United Nations development system*".

39. The Resolutions also "encourage" "*the United Nations funds and programmes to identify additional efficiency savings, including at their headquarters, through common strategies and common operations, for example in the fields of human resources management, information technology and administration, while ensuring that such common strategies and operations are consistent with relevant intergovernmental agreed policies, including those related to the United Nations common system, and to take into account the ongoing reforms on administrative and budgetary matters*".

40. They further "recommend" that the United Nations funds and programmes *"<u>submit annual reports on progress to their respective governing bodies</u> and, as appropriate, keep the General Assembly (GA) abreast of such progress through their respective processes for reporting to the Economic and Social Council*" and "reiterate" that GA "*call upon the United Nations funds, programmes and specialized agencies to ensure, to the extent possible, that savings resulting from reductions in transaction and overhead costs accrue to development programmes in the same countries.*"

41. As a matter of fact, although the GA Resolutions do not refer directly to the ICAO HR framework, their statements meant to improve efficiency, accountability and transparency can easily be applied to ICAO. During our audit, we observed that, although GA underlined the opportunity to submit "annual reports on progress", no regular internal reports or cost-effectiveness studies have been brough forward to the Council, in order to justify the persistent need, for ICAO, to maintain two different offices related to staff recruitment and management.

Private sector reference models: COSO and COBIT

42. In general terms, it is also to be mentioned that, at international level, generally acknowledged models (for internal controls) used as references in large companies/enterprises are COSO and COBIT: COSO enunciates key concepts that organizations can use to enhance internal controls and deter fraud, COBIT supports organizations in achieving their objectives—both through and regarding information technology. In synthesis, as stated in their respective websites, "*the COBIT framework sets the COSO plan into action, with details that allow organizations to secure the IT environment.*

COBIT and COSO work together to create not only a controlled landscape but also a risk and governance model that fosters both compliance and information security".

43. COBIT 2019 is a framework that helps enterprises plan a strategy and also achieve their governance goals to deliver value through effective governance and management of enterprise I&T. The governance and management objectives in COBIT 2019 are grouped into 5 domains. The domains have names with verbs that express the key purpose and areas of activity of the objectives contained in them:

- Evaluate, Direct and Monitor (EDM)
- Align, Plan and Organize (APO)
- Build, Acquire and Implement (BAI)
- Deliver, Service and Support (DSS)
- Monitor, Evaluate and Assess (MEA)

44. For instance, we might consider as a reference the "Human Resource Management – APO07 (COBIT2019)" where a "Managed Human Resource" model provides a structured approach to ensure optimal recruitment/acquisition, planning, evaluation and development of human resources (both internal and external) which has the purpose to optimize human resources capabilities to meet enterprise objectives.

45. The COSO structure defines internal control as a process, effected by an entity's board of directors (for instance Council in the ICAO case), management and other personnel, designed to provide reasonable assurance of the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

46. While implementing in any business, the following five pillars play a key role in ensuring effective internal control to achieve various business targets (strategies or other objectives):

- Environmental Control: This includes ethical values, integrity, and compliance with competence. Structure of the organization, their working methodology, responsibility, and role assigning guidelines and other Human Resource related policies fall under this category.
- Risk Assessment and Assurance: Both individual process objectives and company-wide larger objectives require risk analysis at each step and hence they together form this category of risk assessment.
- Information, communication and reporting: Effective and honest exchange of information through communication between internal and external members is yet another crucial factor required.

- Activity Control: Controlling activity refers to securing the functioning of application and network and laying out & executing essential procedures for business backups and outsourcing.

- Supervising: Monitoring ongoing processes and reporting any identified defects goes hand in hand when it comes to supervision.

47. In this context, we generally utilized the term "internal control" as defined by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission, reproduced below

WHAT DOES COSO STAND FOR?

In 1992, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a model for evaluating internal controls. This model has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

WHAT IS THE COSO FRAMEWORK?

The COSO model defines internal control as "a process effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance of the achievement of objectives in the following categories:

(source COSO website)

48. The above-mentioned blocks work together to ensure healthy internal control within the company's operations and aim to create shared values of autonomy and accountability for control. This control can be completely automated, partially automated or even manual. Regular analysis and identification are done at each level of each process and operation which helps in updating designs of control mechanisms to respond and rectify any significant risk activity.

49. The COSO ERM framework consists of five interrelated components of enterprise risk management as shown in Figure 1 – Risk Management Components. The figure illustrates these components and their relationship with the entity's mission, vision, and core values. It depicts the flow of an organization's business model, ultimately resulting in enhanced value. The ribbons in the figure represent the components and show how they flow through an organization, integrated with all aspects of strategy and performance.

Figure 1. Risk Management Components

Source: COSO ERM Framework, 2017

50. As reported in the COSO website, *"ERM is considered by COSO as an activity whose role and objective are helping the organization to create and protect value. It accomplishes this by helping the board and management make better informed decisions that enable <u>them to effectively manage those risks that could impair their ability to achieve their strategies and business objectives</u>. The overall objective of ERM is accordingly, enhanced performance of the organization. It is not a separate activity with its own objectives but an integral part of the organization's strategy setting and performance processes."*

Reasons why the EA is referring to COSO and COBIT: risks related to HR strategies

51. One of the responsibilities of Supreme Audit Institutions acting as External auditors in the UN system, in line with ISSAI standards, is also the oversight of the risks that might impair the achievement of the strategies of the organization. This oversight role extends from the ICAO's development of strategy through the assessment of the organization's performance in executing those strategies.

52. Events may occur that could impact the ability of the organization to achieve its strategies and business objectives, however, those events are the risks that the organization faces. All strategies have embedded risks. The clarification of that relationship between strategy and risk, and their effect on overall performance, is one of the key points clarified by the updated COSO Framework.

53. The COSO Framework also discusses *"two additional types of risk related to strategies: namely, (i) the risks that the strategy may not align with the organization's mission, vision, and core values and (ii) the implications from the strategy chosen"* (see COSO website).

Risks related to strategies: <u>common risks</u> related to HR framework

54. As stated in the previous paragraphs, in the websites linked to COSO and COBIT there are listed common risks related to HR framework that we are reporting, as an example, in the following table:

Environmental Importance of Control Procedures	The importance of internal control procedures within HR lies in the efficient, effective and compliance-oriented environment internal controls create. Within this environment, internal control procedures work to identify control points -- a position within an HR process where an error or irregularity is likely to occur -- pinpoint control point risks and then mitigate or eliminate each risk. Strong controls along with sound risk management procedures frees HR, management personnel and the business owner to focus on achieving strategic goals.
Limiting Consequences of Uncontrolled Risk	HR internal control procedures are significantly important in limiting what can be severe consequences for failing to control risk. Among the most significant potential consequences are penalties, fines and damage to the business's reputation for failing to comply with federal and state employment and labour laws. Instances of timecard fraud, the creation of "ghost" or fake employees and identity theft can cripple a business financially and erode trust. In addition, procedures that fail to control risks often decrease both the efficiency and effectiveness not only of the HR department, but of the entire business,
Importance in Risk Reduction	Preventative HR internal controls are an important first line of defence. Preventative controls decrease the likelihood of intentional or unintentional data entry errors and discourage or deter

	illegal or unethical actions. Examples include error-checking capabilities in HR system software, computer security procedures that limit access to employee records, authorization procedures that require a manager to approve employee timecards before they're submitted to HR and segregating duties in payroll procedures so that the same employee isn't recording data and also issuing paychecks.
Detecting and Dealing with Violations	Detective controls are a second level of defence designed to identify and deal with an error or irregularity after it has occurred. Examples include audit trail procedures that trace randomly selected payroll transactions from start-to-finish, which can be created during a regularly scheduled or random payroll audit. Procedures for reporting instances of workplace or sexual harassment or actions that violate Occupational Health and Safety regulations are essential. Strong internal controls incorporate consequences ranging from coaching to a warning to immediate termination for violating HR control policies

55. We considered the abovementioned risks as relevant examples that could be easily taken into account in details by ICAO HR Management: having two Offices/ Bureaux leading HR framework, although over different process for different contracts, might generate that the mentioned risks are not fully and homogeneously covered.

Risks related to strategies: potential <u>specific</u> risks for HR at ICAO

56. As also stated above in paragraph 53, the COSO Framework's two additional types of risk related to strategies are namely, (i) the risks that the strategy may not align with the organization's mission, vision, and core values and (ii) the implications from the strategy chosen.

    In order to provide the ICAO Council with an example of such risks, related to strategies that could affect HR, we can mention the ICAO's ASHI increasing liabilities' trend that may not be aligned with the organization's long term, sustainable growth objective.

Another example that could be mentioned as a risk related to HR strategies is that different Directors and their managers could have different view of the ICAO's mission and/or could choose different strategies in order to achieve mission and related objectives.

57. COSO framework highlights that "*An effective system of internal control requires an organization-wide commitment to effective policies and procedures to ensure compliance with applicable laws and regulations*".

58. In this sense, employment-related matters are no exceptions: following best practices regarding employment helps ICAO to develop an ethical environment amongst staff, which will be more inclined to rely into the internal control system, specifically when staff (at any level, independently if permanent or temporary) see a commitment from the highest levels of the organization.

59. Acknowledging that core values of ICAO have no differences from one Bureau to another, when we refer to risks, for instance, we should recall that having different responsible Managers (as for ADB and TCB) this might lead to the potential risk that temporary staff, with short term contracts, might not rely (entirely) in ICAO's core values but, always as an example, in their former's managers or in external input that might be different from the above stated ICAO's core values.

60. Many enterprises/organizations in the private sectors have used COSO's internal control processes and procedures to ensure compliance as well as promote effectiveness and efficiency of operations. As also stated in their website, "*additional benefits of implementing and maintaining rigorous internal controls include ensuring reliable financial statements and Internal control*".

61. An example of a potential risk that might affect "*rigorous internal control*" not "*ensuring reliable financial statements and internal controls*", is the lack of coordination, for instance the fact that responsibilities are spread between more different "references" offices in the ICAO high-level Management. Directors (like ADB, FIN and TCB Directors) might not be able to carry out joint reviews, or not developing a straight forward legal framework for HR, not supportive of an "accountability model" also linked with the accounting: for instance, we could consider as an "indirect" evidence of lack of "rigorous internal controls" our recommendation 2/2019 that we issued in our Long Form Report about "write off" that should have been operated far before, if internal controls would have been "rigorous" and coordinated between TCB and FIN on accounting lines .

62. Another risk factor is that the effectiveness of the internal controls in the current HR framework of the ICAO (two Directors at ADB and TCB) could only potentially rely in the so-called "third line of defence" that, at ICAO, is guaranteed, in substance, by the EAO, which is in charge of the Internal Oversight and, *lato sensu*, of the performance assurance.

63. In line with COSO recommendation, there could be also the risk that a dual Directorate (ADB and TCB) might implement different initiatives in the ICAO HR strategy, without

establishing, for instance, a single "workforce model" in which valued employees are encouraged to view ICAO as a long-term career choice: initiatives brought forward might be the further definition of an overall compensation strategy and the development of career paths within various offices.

64. Indeed, having separate HR Offices at ICAO (ADB and TCB), although with different responsibilities in hiring different categories of staff, might create the risk, in line to what stated in the previous paragraph, that an effective "career path" might not be created jointly by two separate offices.

65. As an example of what stated above, during the years of our mandate at ICAO we have observed that, sometimes, staff hired temporarily through TCB, was later on recruited by ADB with longer career prospective: these recruitments were not generated by an effective "career path", but only due to the capacity and relevant skills of the various staff who succeeded in the recruitment.

66. Nevertheless, there might be potential risks that staff with previous short-term job experiences with TCB might have gained (legally) advantages (such as ICAO's system knowledge) for a specific vacant post against other skilled candidates: this, if not duly and effectively regulated through a "workforce model" and/or an effective "career path" might generate risks for the organization that temporary recruited staff might be have an advantage in being recruited towards "outsiders" candidates equally skilled.

ADB and TCB/FPR: Is the current HR framework minimizing risks?

67. According to our experience in several International Organizations, the HR unit is in most cases centralised. Sometimes it may happen that some internal offices have a greater degree of autonomy for the issuance of specific contracts when highly specialized positions are requested, however the entire HR process is supervised by a single Director, who is accountable to Executive Management (Secretary General, Director general etc).

68. However, as a general consideration, the management of personnel, when split in two or more offices with different collocation, could potentially lead to higher risks related to:
- Continuity (of operations),
- Homogeneity (of procedures),
- balance between components (for instance, different budget, different need of staff etc.).

69. Furthermore, when, in addition to ordinary recruitment process, other methodologies are in place with different kind of contracts, we might consider the following specific risks:
- scarce identification with the Entity,
- unsatisfying selection,
- lack of training,

- discipline and ethical framework,

- supervision,

- no homogeneity in performance assessment,

- persistent reference to outer entities.

70. The Charter of UN and equivalent constitutions of other UN system organizations (Staff regulations, rules, including resolutions) provide for the general framework for conducting recruitment at each organization, where recruitment fully respects the fundamental principles enshrined therein.

71. Among the fields of its scope, UN Joint Inspection Unit analysed in deep, in its Report JIU/2012/4, the issues related to personnel and particularly related to the recruitment choices. The key principles of the JIU benchmarking framework are:

- Availability of (written) procedures

- Ensuring that accountability permeates every action in the recruitment process

- Use of competency framework in the recruitment process

- Posting of prospective job vacancies

- Setting standard specifications for all the jobs and the use of the UN classification standards

- Explicitly governed processes of shortlisting and selection;

- Maintaining Rosters/pools of pre-assessed candidates in line with the project needs,

- Establishment of an efficient and cost-effective e-recruiter system;

- Ensuring efficient and cost-effective processes, with a wide use of IT systems.

- Ensuring that recruitment from vacancy posting to selection decisions does not exceed 120 days;

72. In the year 2018, JIU conducted an inspection at ICAO and produced a report (JIU/2019/1), where also Human resources management was an important topic: we refer to these two reports for any further reference.

Risks related to strategies: the ICAO Corporate Risk Register specific for HR is duly taking into account differences between ADB and TCB?

73. In order to have evidence on how in concrete ICAO is addressing (and mitigating) risks related to HR matter, we also analysed the ICAO Corporate Risk Register (CRR).

74. In point C of the CRR the following risk is considered "Inability to recruit, retain and train competent staff and lack of qualified people in States" which was linked to the ICAO Business Plan in the followings "Focus Areas":

- Strengthening of ICAO's Regional Presence

- Strengthening Partnerships

- Focus Area: Mobilizing Resources

75. In addition, in point C of the CRR it has been considered as a specific risk the "*Inadequate resources to address the growing population of non-staff personnel*" and in the CRR is also stated the mitigative actions undertaken, such as "*Staff Regulation on secondments updated and administrative Instructions on secondments issued*", "*Benchmark set for ICAO safety and AN experts, using the USOAP CBT*", "*ICAO Council approved Policy on Secondment, and AI on Secondment was aligned to this Policy*", "*In collaboration with Bureaus/Offices, HR has compiled secondments and internship needs for the remainder of the triennium*", "Secondment needs can be identified in annual HR planning process (eHRAP)". For this specific risk, an additional mitigation steps to be implemented has been considered the "*Staff resources required to address the increased workload with respect to non-staff personnel*".

76. Always in point C of the CRR it has been considered as a specific risk also the "*Inability to augment regular staff with secondees, interns, and other extra-budgetary human resources*" which is considered mitigated by the "*Issuance of State Letter to request Secondments and Internships*", "*Enhancement of Internship Programme through partnerships with universities*" and "*Implementation of outreach and development programmes (i.e. Young Aviation Professionals; Aviation Scholarships)*" which are addressed by All Directors and Chiefs (led by D/ADB)

77. In point G of the CRR the following risks are considered: "Staff behaviour, ethical and integrity" and "Lack of professionalism of personnel related to ICAO" which are linked to Focus Area: "Enhancing ICAO Governance".

78. Additionally, in point G specific risks are considered: a) "*Internal impact on staff morale and productivity*" and b) "*External impact on image and reputation of ICAO*".

79. For these risks, CRR states that mitigative actions performed are "*Guide on Performance Management was developed to assist in increasing efficiency and effectiveness of performance management in ICAO, and to clearly outline the roles/responsibilities and expected behaviours of supervisors when dealing with supervisees*", "*Employee Satisfaction Survey conducted in 2017, including topics related to ethics and standards of conduct*"

80. In the same point it is also stated that as "Expected result" there is the "*Improving supporting strategies (ethics)*" and, as additional actions to be implemented, are listed the "*New PI on the prevention of sexual exploitation and abuse developed*" (classified as Occasional) and "*Raise awareness through regular reminders, notices, training, provision of ongoing guidance by HR and Ethics Officer*" (classified as Medium) and "*Update and enhance the Ethics website*". These actions should be performed by D/ADB and Ethics Officer.

81. A new risk is listed on point P of the Corporate risk register, identified as "disgruntled staff or delegations seeking to impugn the reputation of ICAO and its senior management". Under this definition are included specific risks like "*confidential internal*

documents being leaked to media, relevant to internal investigations, private correspondence, etc.". This risk has been mapped to the following ICAO BP areas: Executive leadership, HR, Ethics, Communications (COM).

82.   The currently implemented mitigation measures are the updated Staff rules and Code of conduct and the provided training on Ethics; nevertheless, the current risk rating is defined as "frequent/high" (respectively, for probability/impact).

83.   Additional steps to be implemented have been identified, which are:

- Strengthen/update the internal controls framework;

- Approve/Implement the Ethics framework, the Whistle-blower policy and the people strategy;

- Increase awareness of staff through further training on the above-mentioned topics;

- Finalize the external communication strategy.

84.   The action to implement these steps is in the remit of: Secretary General, Ethics officer, Acting Director ADB and Chief Communications. The implementation is currently in progress and the expected is to lower the risk rating to "occasional/medium" (p/i).

85.   Furthermore, the CRR identifies in point Q an additional new risk, related to crisis situations. It is indeed stated that "*Crisis (e.g. political unrest, pandemics, hydrological meteorological, climatological, biological, geophysical, security, safety) may have an impact on international aviation operations. While ICAO has been successfully contributing to mitigating these impacts, upon request of affected States and in coordination with the relevant UN entities and international organizations, the multiplication of such risks may threaten the Organization's ability to provide timely and fully coordinated response due to inter alia the lack of dedicated resources. As a consequence, this could affect the reputation of ICAO and/or disrupt day-to-day international aviation operations.*" This category of risk is linked, in ICAO Business Plan, to all Strategic Objectives (SOs) and Supporting Strategy (SS).

86.   Obviously, the first specific risk identified in this category is the current pandemic for coronavirus.

87.   This risk has forced the Organization to the implementation of several mitigation steps and the currently implemented measures are identified as follows:

- In the onset of a disaster, where ICAO resources are mobilized, resources may be reassigned and the implementation of the key activities that require the involvement of the staff mobilized is put on hold (prioritization);

- Crisis and Rapid Response Communication System;

- CAPSCA;

- (GAT) Increased communication with TPP Members from the APAC region;

- As delegated by the SMG, ADB officially activated the ICAO HQ Business Continuity Plan in early March in response to the COVID-19 Crisis and constituted a headquarters Crisis Management Team consisting of crisis management experts from

ADB, ICAO Medical, Finance, SPCP and PSPC. The Crisis Management Team is operationally active in ensuring and coordinating staff safety, security, and well fare, both internal and external (ICAO UN System Partners; ICAO Regional Offices; Host Government Agencies) emergency communications are fully operational, and continuing the planning and implementation of Business Continuity activities for HQ to ensure that critical business functions are maintained and core business priorities are addressed. Subsequently, the headquarters office has successfully transferred into remote working modality, supporting council and Committee meetings via virtual platforms and continues sourcing new ways and systems to support ICAO headquarters operations remotely.

88. The second specific risk has been identified as consequences of the first one, stating that "*The effects of COVID-19 have impacted and will continue to impact TCB's projects and the deployment and work of its international experts, the Bureau's marketing and business development activities scheduled for the current year, as well as international investment and confidence in the aviation sector, for the foreseeable future.*" Additionally, there is the "*negative impact on TCB's projects, international experts, as well as planned marketing and business development activities due to COVID-19 (Coronavirus)*". The already implemented mitigation steps, for this specific risk, include several measures already undertaken:

- Through ICAO's coordination with relevant Organizations and Agencies within the UN network (i.e. the World Health Organization (WHO) and the United Nations Department for Safety and Security (UNDSS), etc., particularly during such a crisis, it is expected that internal stakeholders, including TCB receive appropriate and timely communications and instructions regarding the evolving risk assessment and necessary protocols to be followed.

- Internally, TCB is in close contact with the Regional Offices (ROs), its projects and international experts to ensure adequate monitoring and communication as may be required at State level.

- The Field Personnel Section (FPS) has a working arrangement with HR- Regular Programme to initiate UN protocols that may be directed by UN Headquarters from time to time.

89. For the mitigation of the impact on its operations, the TCB has implemented the following new measures:

- "*performing all pending recruitment activities in order to guarantee an efficient deployment of experts as soon as restrictions are lifted;*

- *facilitating experts to carry out activities remotely, as far as practicable;*

- *reinforcing communications with project stakeholders for effective oversight and decision-making;*

- *simplifying coordination with Bureaux and Offices;*

- *implementing digital signatures and automating paper-based workflows for improved response times;*

- *establishing interim working arrangements facilitating the processing of purchase orders and invoice payments; and*

- *converting training programmes into online, virtual or hybrid modalities.*"

90. With regard to the financial perspective, "*analyses are being performed with regard to cash flow projections, Technical Cooperation Programme implementation forecasts, and financial impact estimations, performed with a view to having comprehensive information facilitating an effective decision-making process*".

91. The current risk rating of the entire category on point Q is classified as "frequent/medium" (probability/impact) and the declared objective of the Organization is to reduce the impact to "low", while the probability would remain "frequent". Several additional mitigation steps to be implemented are envisaged with this aim and are currently in progress.

92. For the specific risk of "pandemic (coronavirus)", the steps are:

- Clarification of roles and responsibilities between HQ and ROs,

- Development of SOPs, update of the Regional Office Manual in order to streamline resources for more efficient response

- (GAT) to compensate loss resulting from lower level of classroom course deliveries:
  - acceleration of ICAO online courses development;
  - conversion of traditional classroom into virtual classroom;
  - marketing/promotion for online courses;
  - enhancement of partnerships with online training programmes.

93. The action is in the remit of Strategic Planning, Coordination and Partnership (SPCP) Office, in cooperation with Air Navigation Bureau, Air Transport Bureau, A/D/ADB, Regional Offices and COM.

94. For the other specific risk (effects of COVID-19), the mitigation steps in progress are:

- Diversification of TCB business activities through the development of implementation packages aligned with ICAO priorities, addressing emerging needs from States;

- Alignment of TCB with the Organization's One-ICAO Strategy, reinforcing the role of the Bureau as the implementation arm of ICAO and ensuring the support of Bureaux and Offices across the Organization.

95. For this last risk, implementing action is required to HR/SPCP, in coordination with TCB and other ICAO Bureaus and relevant Offices, and to TCB in coordination with Technical Bureaus.

96. We considered the risks detected in the CRR well identified and described in their specificity. Nevertheless, it does not emerge as a risk from the CRR the fact that the ICAO HR framework is ultimately managed by ADB and TCB, although under the supervision of the Secretary general, and, further, as stated in the previous paragraphs, the "One-ICAO Strategy" could be impaired by this division.

Specificities of TCB recruitment and alignment of the staff rules

97.   We examined the document "List of Differences of the Provisions in the Field Service Staff Rules (FSSR) as compared with ICAO Service Code and Staff Rules", and checked that an alignment was in part already accomplished.

98.   The ICAO Service code, at Article 1 specifically says that "*the Secretary General and staff members at all levels of ICAO are international civil servants and their responsibilities are not national but exclusively international.*" This considered, it had to be more explicit that the staff members may not seek nor receive instructions from any Government or external authorities. At the same time, the FSSR has to emphasise the collaborative relationship with the States, since the Staff members are normally directly assigned in National Projects and have regular interaction with State Authorities in their advisory capacities.

99.   One of the key points is the link and the relationship of the Field Service Staff with the States: in our opinion, this is a possible significant risk for the independence and autonomy of the recruitment and evaluation process of human resources in ICAO, because hypothetically the Field Staff could be misconstrued as having direct and / or indirect reporting lines to state authorities.

100.   This issue required a modification 1st article of FSSR that provides for the status of the said personnel. Therefore, after the words "*The staff members of the International Civil Aviation Organization are international civil servants and their responsibilities are exclusively international. By accepting appointment, staff members become bound to discharge their functions and to regulate their conduct with the interest of the Organization and the fulfilment of their mission only in view. In the performance of their duties they may neither seek nor receive instructions from any Government or from any other authority external to the Organization*", now are inserted the following ones: " *Notwithstanding this, the obligation does not in any way preclude close work collaboration between the staff members and the Government within the framework of the agreement between the Government and ICAO*". The following test was therefore removed: "*States, while executing their responsibilities under the FSSR as advisors in the Projects (…). The partnership and collaboration must strictly be maintained within the framework of the agreement between the contracting State(s) and ICAO*".

101.   With reference to the classification of Posts, Rule 2.1 of FSSR is not entirely aligned with ICAO because a National Professional Officer (NPO) category is added. This added category can be however considered as compatible with the prescriptions of International Civil Service Commission (ICSC) and with the Rules of other Organizations with field staff.

It has to be highlighted that LEB found no legal implication in the fact that this category is not mentioned in the ICAO Service Code, because LEB indicated that this does not imply an inconsistency, but is something with a specific purpose in the FSSR based on the needs in the field service.

102. Article 4 of ICAO Service Code provides for recruitment, stating that "*Recruitment in the Professional and higher categories shall be on an international basis. Subject to the conditions in Regulation 4.1, this recruitment shall be directed towards the achievement, so far as practicable, of an equitable geographical representation throughout the Secretariat. Recruitment in the General Service category shall, as a general rule, be on a local basis. Staff rule 104.2 specify that international recruitment regards all staff members in the Professional and higher categories while Staff members in the General Service category shall be locally recruited. Exceptionally, and if local recruitment is not possible, the Secretary General may resort to international recruitment in this category, under conditions which he will determine.*"

103. FSSR on that matter shows a slightly different wording (Rule 4,2: " Rule 4.3 - International and local recruitment – letter d) *National Professional Officers shall normally be recruited on local basis to perform professional duties that require country or region specific local knowledge and experience applicable to the State, for roles or functions which may not be effectively carried out by a personnel from outside the region or state.* (...)." The proposed text is "*National Professional Officers shall be determined by the Secretary General with due regard to the practice of the United Nations and recommendations of the International Civil Service Commission*", where the original text was "*may be recruited in all duty stations except for those prescribed by the ICSC as headquarters duty stations*".

104. Other differences among ICAO staff rules and Field Staff rules are mainly related to other phases of the staff management than the recruitment, and are non-relevant for the purpose of this work.

Specificities of TCB recruitment: relevant elements to be considered

105. During our Mandate at ICAO, we had several fruitful exchange of views with ADB and TCB staff and management that we consider relevant to report in order to arrive to an unbiased and fair conclusion and to propose impartial recommendations to the SG.

106. In these years we observed the tendency of ADB Management to consider conceivable a more stringent homogeneity in the HR framework and a sole leadership of all HR management through *not only* a continuous internal review of the provisions in the Staff Rules and the Field Service Staff Rules *but also* the possibility of an acceptance of External Auditor's recommendations in respect to the harmonization of the HR function whenever possible, highlighting the needs for different treatment where justified, hence reviewing the organizational separation of the HR and the Field Personnel Section taking into account operational exigencies.

107. On the other hand, we should report that TCB had always a different opinion on the homogeneity of the HR function at ICAO, over a possible sole leadership in HR management.

108. During our mandate we could summarise that we received justifications from TCB of the need of maintaining a separation between the two offices, that we transpose now in this report for transparency, but does not represent from our side, a full acceptance of the TCB position:

- The Field personnel section has played a strategic and crucial role in providing specialized support to the Field Projects as part of TCB's 'Core Business' with precision (in real time) and efficiently.

- To date, TCB has identified and simplified recruitment and deployment of hundreds Project Personnel (Field Experts), providing an effective day to day administration of contracts of the Project Personnel

- Furthermore, TCB has provided advisory support and guidance to the Field Project management teams globally, in the application and implementation of the Field service staff rules and administrative guidelines to optimize the proper implementation of the projects.

- The overall legislative mandate and structure of TCB, with a clear understanding of the importance of having a dedicated Field Personnel function integrated into its day to day operations, provides strategic input into its core business agenda;

- There are differences in the funding mechanism that support operations of TCB projects with functional roles, including FPS through the Administrative and Operational Services Cost fund (AOSC) vis-à-vis the Tri-annual budget for Regular Programme staff, which includes the HR function;

- The common practices in the UN and its affiliated organizations, which include field operations as part of their mandated functions in the implementation of Technical Cooperation projects (e.g. UNDPKO, FAO, UNOPS, IFAD, WFP, WHO, etc.), and which have in place clear lines of demarcation drawn, distinguishing the roles of Core Secretariat HR functions and the project related functions dedicated to the management of Field personnel;

- There are differences between the scopes of Field Project based HR administrative functions and Regular Core post management for the effective functioning of ICAO as an Organization. It is worth noting that the Field Project based HR functional role is an important ingredient in the implementation of TCB projects, and by extension a revenue generating function of TCB which is self-funded;

  The operational capacities of FPS vis-a-vis HRB, with a view to making a determination of efficiencies and cost effectiveness bearing in mind clear terms of reference, with regards to the number of annual recruitments, volumes and complexity of contract administration, against operational staffing compliments (administrative costs involved) and nature of contracts handled (whether repetitive or continuous), including timelines. This should facilitate clarity on the thresholds related to efficiency levels and the justification for having the two functions operating as separate entities;

- The perception that ICAO has two parallel HR Offices may inhibit the proper understanding of the nature, scope and mandate of TCB/FPS vis-a-vis that of HRB. By centralizing this important role and maintaining it outside the structure of TCB, the resultant effect to the operations of the Bureau will clearly have a negative impact on the operational efficiencies so far gained. By extension it will also affect the competitiveness and niche already gained and maintained by TCB over time in making real time availability of the services of Aviation Experts to provide capacity building support to member states CAA's.

- FPS works in close collaboration with Field Operations, Procurement and Business Support Sections as a team, in a face to face permanent contact. This way of doing business has played an integral role over a period of more than six decades to achieve success in maintaining stakeholder confidence in ICAO/TCB services. It should be noted that Field Personnel in TCB is not only focused on personnel administration matters, but also directly supports the implementation of projects by assisting in resolving all personnel related challenges that may cause impediments to the successful implementation of the projects. The risk of a centralized function not prioritizing support intervention towards TCB project implementation processes as a result of the broadened mandate of the unit is real. This would be a result of the competing priorities to the different stakeholders that may arise from the expanded mandate of the centralized HR function;

- Regular triennial budgets Vs TCB budget – The unpredictable availability of budget provisions in TCB calls for a proactive adaptation of values geared towards tapping on opportunities available to the Bureau to ensure it stays afloat with regards to its financial obligations. This is a value that has been adopted in the existing structure of the Bureau, job descriptions of staff TCB/FPS staff, which they have fully internalized. It may be a challenge changing work practices, responsibilities as defined in the staff job descriptions, values and mindsets in a centralized environment posing a major risk factor with regard to continuity and efficiency in implementation of ICAO's overall mandate.

109. TCB management and staff, therefore, have the opinion, as indicated in the above statements, to maintain two separate human resources offices.

110. TCB's opinion is that its independency from ADB remains the most appropriate customer oriented option in terms of cost-effectiveness and operational capacity, because TCB considers that, over several decades, it built and maintained relationships with key stakeholders with the direct input of FPS services in its Field operations.

111. TCB has then always considered doubtful that a centralized service unit will dedicate its time and available resources adequately to the TCB's need.

112. Although we have considered (and reported above) all the possible arguments always brought forward to us by TCB against the centralization of the HR function in the most

transparent and fair manner, we will bring to the Council's attention our conclusions and recommendations in the next chapter.

Conclusions and Recommendations

113. The different categories of staff (for instance, regular staff and field service staff engaged on TCB projects) are governed by different rules, namely the Service Code approved by the Council and the Staff Rules, for regular staff, and the Field Service Staff Rules approved by the Secretary General under delegation of authority from the Council, for the field staff in TCB. The two categories of staff are also administered by different Offices: the HR Branch of the Bureau of Administration and Services (ADB) for regular staff and the Field Personnel Section for the TCB environment.

Recommendation n. 1

114. Although we understand that there is a need for greater flexibility and prompt response for the posts linked to field projects at the request of Member States, as stated in the previous chapter (see paragraph 108), the current approach ends up creating two parallel systems within the same organization.

115. As also observed in the previous paragraphs, we would have expected that ADB and TCB might have prepared jointly, for instance, a reference documents with an effective "translation" of the international standards and best practices that were able to justify the correctness and effectiveness of the current "dualistic" model that provides for two Bureaux for recruiting and managing different categories of staff.

116. We have the opinion that a single Director of HR, not only could enhance "accountability" and strengthening internal controls, but also could help ICAO in creating an "holistic" framework model, intended to assist the ICAO mission with clear and measurable objectives and with continuing consideration of the issues and challenges associated with recruitment, retention, and related matters, through the implementation of an effective performance management tools that could be based on international best practices and tools.

117. We consider that any new updating and/or modification and/or harmonization of the current HR Framework, both legal and operational, should start from a thorough cost-benefit analysis and effective review and of the need of maintaining a duplication (in ADB and in TCB) of units dedicated to deal with the different aspects of staff management, such as recruitment, renewal, appraisal etc.

118. For the reasons mentioned above, we recommend that ICAO should designate an independent expert, able to assess and consider if the current model, based on two separate offices for human resources, is cost-effective and respectfully adherent to the ICAO mission and related objectives (such as One ICAO) and, at the same time, compliant with International standards and good practices, by means of a cost-benefit analysis, able to evaluate the economy, the efficiency and effectiveness of the current ICAO HR framework.

Comments by the Secretary General

The Secretariat agrees that we should not be creating parallel systems but compliment HR services that are to be provided for and by ICAO.

Agree that improvements are needed in the harmonisation of HR policies and practices of TCB with the ICAO Service Code, Rules and Personnel Instructions, bearing in mind field related policies and conditions established by the ICSC.

Agree that TCB should consider HR tools and reporting mechanisms, similar to what is applicable for HR reporting under the regular programme.

Agree the need to perform an independent Study in order to assess and consider the overall structure of Human Resources in ICAO taking into consideration as well the human resources performed at TCB in order to evaluate the economy, efficiency and effectiveness of the current ICAO HR Framework

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Recommendation n. 2

119. In addition to Recommendation 1, <u>we</u> consequently <u>recommend</u> also being assisted in this process by the UN HR Network, as stated in paragraph 36, in order to enhance also compliance with the UN system good practices.

Comments by the Secretary General

Agreed.

ICAO being a member of the Network would certainly have access to developments and best practices as applicable in the UN system and would apply these as might be appropriate. We would expect the expert performing the Independent Study to also reflect the best practices from other UN entities when making recommendations for ICAO to consider. The expert performing the Study should review models existing in other UN Agencies on how their HR units function in administering their staff members and non-staff in the regular offices and in the field. At the same time, the consultant can come up with recommendations that may be implemented in terms of harmonized structure, policies, procedures for FPS and HRB under one umbrella or in existing set up depending on the outcome of the assessment.

Recommendation n. 3

120. In addition to recommendation 1 and 2, independently of the fact that ICAO merge the two offices deputed to hire staff at ICAO (ADB and TCB) into a "One HR Directorate", also in the consideration that the risks identified in the ICAO corporate risk Register are not specific for both offices, <u>we recommend</u> having a "common HR risk approach" disclosed in the ICAO Risk Register and, therefore, starting an internal comprehensive review process to identify: a) which specific risks are proper to ADB and TCB HR Management; b) the respective mitigative actions to be implemented in order to reduce the identified risks; c) if the internal controls in HR management are effective and reliable and able to effectively identify all the fraud risks and internal control weaknesses in relation to the fact that two different Directors are responsible for recruiting and assessing human resources; d) which differences require further harmonization, in order to strengthen internal controls, even through a change in the legal framework.

Comments by the Secretary General

Agreed.

As ICAO moves to an Enterprise Risk Management Framework and each office must identify its Risks, the Secretariat would ensure a common HR risk approach is used as a starting point with specific risks as it related to ADB HR and specific HR matters for TCB and to identify appropriate mitigating measures.