



## 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	Igina	MAIO	Consigliere
Dott.	Michele	COSENTINO	Consigliere
Dott.ssa	Marcella	PAPA	Referendario

Nell'Adunanza del 15 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 38<sup>a</sup> Sessione tenutasi il 4 ottobre 2013, nonché il rinnovo del mandato per un ulteriore triennio, deliberato,

su proposta del *Council* dell'ICAO, dall'*Assembly* dell'Organizzazione nella sua 39<sup>a</sup> sessione con risoluzione n. A39/36, in data 29 settembre 2016;

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

Visti i *Financial Statements* dell'ICAO per l'anno finanziario 2019 trasmessi in data 31 marzo 2020;

Udito il relatore Consigliere Carlo Mancinelli ed esaminati e discussi su sua proposta l'*audit certificate* e il *report* relativi all'*Audit of the Financial Statements at 31.12.2019 – ICAO*;

### **DELIBERA**

di approvare l'*audit certificate* e il *report* relativi all'*Audit of the Financial Statements at 31.12.2019 – ICAO*, con le modifiche apportate dal Collegio;

### **DISPONE**

di trasmettere copia dell'*audit certificate*, sottoscritto dal Presidente della Corte dei conti, e del *report* al Segretario Generale dell'*International Civil Aviation Organization (ICAO)*.

IL RELATORE

Carlo Mancinelli

f.to digitalmente

IL PRESIDENTE

Giovanni Coppola

f.to digitalmente

Depositata in Segreteria il

Il Dirigente

Maria Pia Gubbiotti

f.to digitalmente



*Corte dei conti*

REPORT OF THE EXTERNAL AUDITOR

**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

**Audit of the financial statements for 2019**

15 October 2020

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## **INTRODUCTION**

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

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

This audit looked at the ICAO Report for the Financial Year ended 31 December 2019 and its consistency.

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

We audited the accounts for the Financial Year 2019 based on the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

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

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

Due to the Covid-19 pandemic, we were obliged to leave the Organization before starting our audit and, in particular, the on-the-spot testing of certain categories, such as the fixed asset register, inventories, personnel files etc.; the ICAO itself closed and switched to the remote working mode; therefore, this limited our testing and we performed alternative procedures where International Auditing Standards envisage direct verification of underlines transactions. We also classified as "ongoing" some of our recommendations, without the possibility of following-up them by audits, since our capacity of performing an audit on-the-spot was limited by authoritative legislation. Nevertheless, our audit carried out remotely jointly with our knowledge of the internal controls operating in ICAO allowed us to arrive to a conclusion in relation to the accounts and disclosures in the Financial Statements.

Although the audit was performed through alternative procedures, as stated above, we obtained a sufficient basis for the opinion given in the audit certificate.

During the audit carried out remotely, all questions were discussed and clarified through emails' exchange and telephone calls with the officials responsible. The team had regular discussions with Chief, Finance Branch (FIN), and members of FIN staff or with Management and staff in other departments, depending on the subject matter under consideration.

We received the financial statements, signed by the Secretary General on 31 March 2020. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on 13 and 14 October 2020 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as of 31 December 2019, presented in compliance with the ICAO Financial Regulations and Rules (Sixteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2019, signed by the Secretary General and the Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received the Statement of Internal Control for 2020, signed by the Secretary General on 31 March 2020.

We have highlighted the findings of our audit activity as “Recommendations”. Where an issue is out of the Management’s remit, we have drawn the Council’s attention to it.

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



# *Corte dei conti*

## **AUDIT CERTIFICATE**

### **Opinion**

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2019, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and 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 Civil Aviation Organization (ICAO) as at 31 December 2019, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

### **Basis for Opinion**

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ICAO 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 in so 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 ICAO 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 ICAO Secretary General is responsible for the other information. The other information comprises the “Part IV – Tables (unaudited)”.

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 ICAO Secretary General and Those charged with governance for the Financial Statements**

The Secretary 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 Secretary 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 Secretary General is responsible for assessing the ICAO’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 Secretary 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 ICAO’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 ICAO'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 ICAO'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 ICAO 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 ICAO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the ICAO Financial Regulations and Rules and its legislative authority.

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial

Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2019.

**Emphasis of matter – Covid-19 pandemic and subsequent events**

Without modifying our opinion, we draw attention to the Notes to the financial statements, which describe the situation in the context of the Covid-19 global pandemic declared by the World Health Organization in March 2020. The situation is constantly evolving and the measures put in place are having multiple impacts on local, regional, national and global economies. Management is closely monitoring the situation and, when possible, has duly considered in the Notes the subsequent events after the reporting date. However, the overall effect of these events on the Organization and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

As a result, we are unable to estimate the potential impact on the Organization's operations as at the date of these financial statements.

**Emphasis of matter – Impact of actuarial liabilities**

We also draw attention to the fact that the Statement of financial position shows a negative Net Asset (-68.4 MCAD), mainly due to the impact of 164.3 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Management is acting according to its competences and powers and is constantly monitoring the situation. Council is warned on the need to consider further actions in a long-term perspective. Our opinion is not modified in respect of this matter.

Rome, 15 October 2020

*Guido Carlino*  
*President of the*  
*Corte dei conti*



## **STRUCTURE OF THE ACCOUNTING STATEMENTS**

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:

- Statement of financial position (Statement I) – Balance sheet at 31 December 2019 with comparative figures as of 31 December 2018, 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 2019, with comparative figures as of 31 December 2018, showing the Surplus/Deficit for the financial year;
- Statement of Changes in Net Assets for the year ended 31 December 2019 (Statement III), showing the value of the Net assets including the surplus or deficit for the Financial Year including losses directly recorded in Net assets without being recorded to the Statement of Financial Performance;
- Cash Flow (Statement IV): table of cash flows for the period closed on 31 December 2019, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investment and financing transactions and the treasury totals at the end of the Financial Year;
- Comparison of Budget and Actual Amounts (Statement V) for the 2019 financial period, limited to the Regular Programme General Fund, and the Statement V-A, i.e. the Comparison of Budget and Actual Amounts for all funds of the Organization for the year ended 31 December 2019;
- Notes to the financial statements, providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

## **STATEMENT OF FINANCIAL POSITION 2019**

### **ASSETS**

2. In 2019, the ICAO's Assets amounted to 390.9 million CAD (MCAD), a decrease of 46 MCAD (-10.5%) as compared with the value recorded in 2018 (436.9 MCAD).
3. They consisted of Current assets, amounting to 377.9 MCAD, representing 96.7% of Total Assets (in 2018, the figure was 425.5 MCAD, representing 97.4% of Total Assets), and Non-Current Assets, amounting to 13 MCAD, or 3.3 % of Total Assets (in 2018, 11.4 MCAD, or 2.6% of Total Assets).

## Current Assets

4. Total Current Assets in 2019 amounted to 377.9 MCAD, representing a decrease of 47.5 MCAD (-11.2%) as compared with 2018. The main sub-heading, “Cash and cash equivalents”, decreased by 56 MCAD and a decreased was observed also for “Receivables and advances” (-4.9 MCAD) and for “Others” (-0.5 MCAD); on the contrary, “Assessed contributions receivable from Member States” increased by 13.8 MCAD and “Inventories” increased by 0.1 MCAD. The basis for evaluating Current Assets is given in the Accounting Policies (Note 1).

## Cash and cash equivalents

5. As stated in paragraph 4, the sub-heading “Cash and cash equivalents”, totalling 346.4 MCAD, decreased by 56.0 MCAD (-13.9%) compared to 402.4 MCAD in 2018. It included cash-in-banks and short-term deposits as of 31 December 2019. As shown in Note 2.1, the composition of the sub-heading is the following:

	2019	2018	% diff.
Cash in banks	37,9	52,7	-28,0%
Term deposits	308,4	349,7	-11,8%
<i>Total Cash and Cash Equivalents</i>	<i>346,4</i>	<i>402,4</i>	<i>-13,9%</i>

6. We asked all the banks and financial institutions with business relations with ICAO to confirm the current account balances as of 31 December 2019.

## Mitigating urgently risks in field imprest and Regional offices accounts (through an effective enhancement of internal controls in treasury management)

7. As every year, we asked all the banks and financial institutions with business relations with ICAO to confirm the current account balances as of 31 December 2019.
8. At the beginning of our 6-year mandate, we asked FIN Management to introduce a new model for bank’s account confirmation: FIN agreed to attach to the confirmation letter standard form, utilized by our predecessors, a detailed checklist, in order to increase the level of assurance in all aspects of treasury management. For instance, the checklist obliged counterparties (banks, financial institutions, cash deposit owner, etc.) to provide in specific boxes detailed information over, for example, signature powers and, if existing, further current accounts, safe boxes, warrants, investments, deposits, etc.
9. As a matter of fact, in relation to the accounts related to treasury (for instance: cash and cash equivalents), the confirmation letters and the above-mentioned checklists answered directly by counterparties and delivered directly to the External Auditor

(and in copy to Management), jointly with alternative procedures, provided us, during our 6-year mandate, a sufficient level of assurance on the reliability and correctness of the balances recorded in the financial statements for cash and cash equivalents.

10. At the same time, confirmations and the related detailed checklists, directly received from banks, showed sometimes several irregularities and/or inconsistencies, for instance: wrongly updated lists of signature powers or unrecorded liabilities (please refer to our recommendations n. 1/2015, n. 1/2018 and n. 2/2018) that Management promptly corrected or duly investigated.
11. This year, with reference to 2019 financial year we did not receive the requested confirmation for 3 banks corresponding to two Regional offices<sup>1</sup> and a Regional Sub-office (in Beijing), and for 8 banking institutions out of 9 for TCB field imprest accounts.
12. Management considered the above mentioned statistics in a different way, and this is the reason why we attached a summary table where our statistics are matched with FIN statistics and explanation for different data are provided in a specific box of the mentioned table.
13. It is worthwhile mentioning that, as stated above, the standard audit process requires External Auditors to receive directly bank's confirmations, otherwise letters declared as arrived to FIN, and not received by us, should be considered by the auditor only as a document for a more efficient alternative procedure but not sufficient to provide a full assurance on balances recorded in the accounting.
14. Furthermore, although FIN declared some of the letters as arrived to them, in order to corroborate the soundness of our statistics we also reported when a confirmation letter never arrived to us in the 6 year of mandate: it appears logic to us that, if a confirmation letter never arrived in 6 years to us, we could not consider "statistically" as arrived a letter only in the last year to ICAO; in any case, for transparency, we report also the information provided by ICAO.
15. In two cases, the Management referred that the Banks do not send the confirmation letter directly to the external Auditor: we consider it as a decrease in the effectiveness of internal controls, because, in this case, it is also uncertain that the Headquarters can receive information reliable, leaving FIN the risk of relying only on data that cannot be verified directly.

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<sup>1</sup> Ros' in Mexico city and Lima.

16. In the table below is shown the situation of the field projects confirmations letters, as results from ICAO's records, in comparison with the situation that results to the EA.

Confirmation letters received at 31.12.2019						
As per ICAO's records					As per EAs' records	
No.	Bank	Active accounts	Letters to Auditors as declared by ICAO (RECEIVED for FIN)	Letter to Auditors as declared by ICAO (NOT RECEIVED For FIN)	Ref. to 2019	In all 6-years
1.	Bank Nacion Argentina	3	3		NOT RECEIVED	NEVER RECEIVED for 2 accounts (10369 and 10378), and RECEIVED only for financial year 2016 for the account 10386
2.	CITIBank	1		1	NOT RECEIVED	RECEIVED only for financial year 2014
3.	Banco de credito del Peru	2		2	NOT RECEIVED	NEVER RECEIVED
5.	Bank of China	2	2		NOT RECEIVED	NEVER RECEIVED
6.	SIAM Commercial bank	3		3	RECEIVED	RECEIVED
7.	SAUDI American bank (SAMBA Financial group)	2	2		NOT RECEIVED	NEVER RECEIVED
8.	KENYA Commercial bank	2		2	NOT RECEIVED	RECEIVED in past years
9.	SCOTIABANK Uruguay S.A.	2		2	NOT RECEIVED	RECEIVED only for financial years 2016 and 2017
Tot.		17	7	10		

17. Being the financial year 2019 the last audit year of our mandate, even taking into due consideration that our audit has been delayed due to the SARS-COV-2 pandemic, we can summarize that, for the entire period of our mandate, we have then never received direct confirmation letters for two Regional offices and a Regional Sub-office, and at least for six projects, (not considering the closed ones, otherwise the percentage should be higher) as represented in the tables below:

RO's and Sub-Office accounts' confirmations never received in 6-years			
Bank	Address	Office	Account's no.
Banco de Credito del Peru	Juan de Arona 893, 7mo Piso San Isidro, Lima 27 Peru	RO in Lima	10309
			10310
			10346
BANORTE (Banco Mercantil del Norte S.A.)	Presidente Masaryk No. 29 Local C, Col. Polanco, Miguel Hidalgo, D.F.11560, Mexico	RO in Mexico City	10308
			10307
Bank of China	Beijing Capital Airport Branch	Sub-Office in Beijing	10380

Imprest accounts' confirmations never received in 6-years			
Bank	Project	Fund	Account's no.
Bank Nacion Argentina	ARG/07/803	5318	10369
	ARG/10/801	5517	10378
Banco de Credito del Peru	PER/12/801, PER/17/801	5535, 5696	10373 10374
Bank of China	RAS/09/801A	5439	10383 10370
Saudi American Bank (Samba Financial Group)	SAU/97/801	5199 5200	10348
	SAU/97/802		10347

18. Furthermore, our standard letters of confirmation require that third parties provide us directly with several data that, if not received directly from banks and financial institutions, might not be disclosed to us through standard alternative procedures on aforementioned bank accounts.
19. In our report on FS 2016, we issued a recommendation (n. 1/2016) on the lack of banks' confirmations and, considering the importance of this issue for obtaining reasonable assurance and, moreover, the fact that the confirmations' rate is low, we considered to renew our recommendation.



20. Although through alternative audit procedures, with supporting documentation provided by Management, we were able to reach a reasonable level assurance on the correctness of the values recorded at year-end in the accounts during the 6-year mandate; nevertheless, the fact of not having ever received further information (as requested in our attached checklist), from the mentioned field imprest and regional accounts, increases the risks that internal controls could not have worked properly and/or effectively, in relation to assess the correctness of the signature powers and in the research for unrecorded liabilities that local staff and their Management could not have detected and duly communicated to FIN.

***Recommendation n. 1***

21. In order to increase the level of assurance in treasury management at field and regional level, by enhancing the efficiency and effectiveness of internal controls, in line with Recommendation 1/2018, we therefore recommend, in particular for accounts where we have never received a confirmation letter for 6 years, to promptly initiate a due diligence check of these accounts on the correctness of signatory powers and to search for potential unrecorded liabilities, through a review carried out by a unit independent of local Management, for instance FIN and EAO. The outcome of this work, carried out by people independent of the field staff, with the possible issue of relevant recommendations, could not only enhance the level of internal controls in the management of the field treasury, but also lower the level of reputational risk potentially linked to the risk of fraud at the field level.
22. At the same time, Management, if unacceptable level of risks might arise from some of these accounts where a direct confirmation has never received, could also explore the possibility and/or opportunity of closing some of these accounts and assessing if using alternatives provided in the UN system are effective and reliable (for instance UNDP).

**Proposal and comments by the Secretary General**

The recommendation is accepted:

It should be noted that imprest account balances represent less than 1% (0.85%) of total TCB projects cash of 2019. The Secretariat has taken action to implement previous recommendations in this respect by closing many imprest accounts as we found alternative ways to handle those operations and we will continue looking for alternatives for those still open. In 2020, we closed 3 additional accounts.

FIN has established a number of compensating controls to mitigate potential risks including: Signatories are appointed/changed by FIN in accordance with ICAO's Financial Rules and Regulations; Replenishments are actioned by ICAO HQ only after receipt of an internal approval process; Imprest account balance cannot exceed two months' worth of expenditures; Replenishments can be delayed or stopped if there are any delays in reporting expenses to ICAO HQ; and Balances are reconciled on a monthly basis. EAO will review the actions taken by FIN to confirm that these mitigating controls are in place.

**Write-off of TCB dormant accounts without supporting documentations: mitigating the risk of similar accounts.**

23. During our past audits, we identified in the accounts, in particular in "cash and cash equivalent", certain balances that remained outstanding since 2007. During our mandate, we have asked Management, through several emails, to provide evidence of these amounts inscribed in Agresso.
24. Management declared us that these were deposit accounts related to fellowship training for the TCB; however, after our considerations, in 2020, Management sent to the Secretary General an Inter-Office Memorandum dated 10 February 2020, in order to write-off these "*floating cash differences*" concerning fellowships and other items, amounting totally to USD 85'102.22. Secretary General approved the write-off of these unrecoverable long-aged deposits. Then, according to Article 11.4 of Financial Regulations, the Finance Committee was invited to write-off an amount of USD 53'239.00 of these deposits, which was approved.
25. The aforementioned write-off decision was based on the length of time elapsed since the accounts had become inactive and also on the fact that FIN had found no supporting documents: the understanding that these deposits had most probably been settled many years ago without the adequate registration, and the lack of documentation to confirm them with the counterpart, led the Management to the decision to write off.

**Recommendation n. 2**

26. The consideration that the carry forward of balances, inscribed in the accounts by TCB in 2007, of "*long aged deposits without details and supporting documents*" for more than a decade, shows severe weaknesses in the internal controls: TCB should have highlighted balances' inconsistencies earlier and taken action on them.

27. Furthermore, the explanation provided by FIN in the IOM dated 10 February 2020 and reported in the FIC decision, shows also that the communication between offices, FIN and TCB, was not continuous and reliable and needs to be improved.
28. In order to strengthen internal controls through an increase of the effectiveness of communication between FIN and TCB and in order to mitigate the risks that further items inscribed in Agresso might be related to accounts inactive and not supported by reliable documentation, we recommend FIN to check whether similar balances still exist and, in this case, proceed to the corresponding write-off, starting, at the same time, a reliable constant communication with TCB, for example through the use of signed checklists, highlighting the controls performed on the pertinent accounts.

**Proposal and comments by the Secretary General**

The recommendation is accepted: In 2019, the Secretariat implemented a new policy on accounts reconciliation to ensure that all balance sheet items across all funds are reconciled periodically. Significant progress has been made in historical accounts reconciliation and clean-up since then. Further write-off of this nature will be minimized.

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

29. On 31 December 2019, the cash-in-hand kept by the ICAO at Headquarters was equivalent to an amount of 2,381.92 CAD. Overall, the cash-in-hand at Regional offices amounted to the equivalent of 2,859.49 CAD.

***Increasing accuracy in reporting cash-in-hand***

30. Our work revealed some inaccuracies in the monthly report presented to Headquarters by the people in charge of the petty cash and imprest accounts, such as, for instance, incorrect or not mentioned Agresso account's number in the report. Management at Headquarters corrected promptly every inaccuracy detected.

**Assessed contributions receivable from Member States**

31. Assessed contributions receivable from Member States for the regular budget are composed of:

- a) *Current*, which are due within 12 months (16.6 MCAD, around 2.8 MCAD in 2018, with an increase of 483%);
  - b) *Non-current*, which are due after 12 months from the date of the financial statements (4.3 MCAD in 2019, around 6.0 MCAD in 2018, a decrease of 27.5%). This includes discounted long-term contributions.
32. The significant increase in current receivables is due to the fact that, as of the end of 2019, contributions from major contributors remain unpaid.
33. We analysed the procedures in place at the ICAO for the discounting of receivables and our audit did not reveal any major issues. The cumulative discount on long-term receivables totalled 6.9 MCAD in 2019, a decrease of 1.2 MCAD compared to 2018.
34. The status of outstanding contributions as of 31 December 2019 (including the year 2019) shows a total amount of 28.5 MCAD (including 0.8 MCAD as a consequence of the USD/CAD exchange rate for the USD assessment component) for 48 Member States including The Former Socialist Republic of Yugoslavia. The total amount outstanding as of 31 December 2018 was 17.6 MCAD (with 1.8 MCAD due to the exchange rate) for 54 Member States.

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

35. Receivables and advances are composed of: a) *Current* (12.6 MCAD in 2019, a decrease of 28% with reference to 2018), and b) *Non-current* (0.3 MCAD in 2019, a decrease of 16.4% as compared with 2018, when the value was 0.4 MCAD).
36. *Current* represented 3.2% of the Total Assets, compared to 4.0% in 2018. As stated in Note 2.3, they represented advances to employees, receivables from United Nations Agencies and other amounts due from revenue generation activities, such as sales of publications, and the rental for conference rooms and space to delegations.
37. An amount of 1.7 MCAD in 2019 is shown in the closing balance sheet under “others”, with a decrease compared to 2018 (2.2 MCAD, -23.1%). A detailed breakdown of these values is reported by Management in Note 2.3.

### **Inventories**

38. At the end of 2019, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.7 MCAD, an increase of 0.15 MCAD (+26.5%), compared to the 2018 net value of 0.55 MCAD. Inventories are detailed

in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.29 MCAD in 2019) and Commissariat (0.41 MCAD).

### **Non-current assets**

39. As of 31 December 2019, Non-current assets totalled 13 MCAD, with an increase of 1.6 MCAD as compared with 2018. The basis for the evaluation of Non-current assets is given in the Accounting Policies (Note 1).
40. This heading is composed of: a) "Property, plant and equipment", amounting to 6.4 MCAD and representing 49% of total Non-current assets (in 2018 it was 4.4 MCAD, representing 38.4% of total Non-current assets); b) "Assessed contributions receivable from Member States", amounting to 4.3 MCAD (around 33.2% of the non-current assets); c) "Receivables and Advances", totalling 0.3 MCAD (see paragraph 35); d) "Intangible assets", amounting to 2 MCAD, around 15.4% of total non-current assets. The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

### **Property, plant and equipment**

41. The heading "Property, plant and equipment", as seen above, showed a value of 6.4 MCAD, which is the net value at 31 December 2019 (in 2018 it was 4.4 MCAD) of the capitalised cost for "Furniture & fixtures", "IT equipment", "Motor vehicles", "Machinery & Equipment", "Leasehold improvements" and "Leasehold improvements in progress". Acquisitions during the year amounted to 3.9 MCAD, there were transfers for 1 MCAD and depreciations totalled 0.9 MCAD. A detailed breakdown and descriptions are provided by Management in Note 2.5.

### **Intangible Assets**

42. In 2019, Intangible Assets amounted to 2 MCAD, an increase of 1.3 MCAD compared to the amount of 2018; in 2019, additions amounted to 1.5 MCAD, mainly due to the category "Software under development"; depreciation totalled 0.2 MCAD. A detailed analysis is illustrated in Note 2.6.

### **LIABILITIES**

43. In 2019, Total Liabilities amounted to 459.4 MCAD, a decrease of 35.3 MCAD (-7.1%) in comparison with the value recorded in 2018 (494.7 MCAD). They consisted of:

- a) *Current Liabilities*, amounting to 295 MCAD, representing 64.2% of Total Liabilities (in 2018, they represented 69.5%, totalling 343.7 MCAD), and
- b) *Non-Current Liabilities*, totalling 164.3 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 35.8% of Total Liabilities (in 2018, non-current liabilities represented around 30.5%, totalling 151 MCAD).

### **Current Liabilities**

44. As written above, in 2019 total Current Liabilities amounted to 295 MCAD, a decrease of around 48.6 MCAD (-14.2%) compared to 2018 (343.7 MCAD). These were composed of:

- a) “Advanced receipts”, totalling 242.4 MCAD in 2019 (304.9 MCAD in 2018, a decrease of 20.5%). These represented around 82.2% of Current Liabilities and 52.8% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (216.5 MCAD in 2019). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A breakdown of these values is provided by Management in Note 2.8.
- b) “Accounts payables and accrued liabilities”, recorded for an amount of 43.3 MCAD in 2019 (29.2 MCAD in 2018, an increase of 48.3%), representing 14.7% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
- c) “Employee benefits”, recorded for 7.6 MCAD, a decrease of 0.3 MCAD (-3.7%) compared to 2018 (7.9 MCAD). See dedicated paragraph below for further considerations.
- d) “Credits to contracting/servicing governments” amounting to 1.6 MCAD and representing 0.6% of Current Liabilities (0.3% in 2018).

### **Non-current Liabilities**

45. Total non-current Liabilities are only related to “Employee benefits”; in 2019, they amounted to 164.3 MCAD, representing an increase of 13.3 MCAD (8.8%) compared to 2018 (151 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided the sensitivity analysis of trend assumptions in Note 2.10.2.

## Employee Benefits

46. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 7.6 MCAD and under “Non-current liabilities”, with a value of 164.3 MCAD, as summarised in the table below. The total increase in the Liabilities (Current and Non-current) is 13 MCAD.

<i>Liabilities</i>	<b>Year (MCAD)</b>		<b>Variance 2019-18</b>	
	<b>2019</b>	<b>2018</b>	<b>MCAD</b>	<b>%</b>
<u>Current</u>	7.65	7.94	-0.29	-3.7%
<u>Non-current</u>	164.33	151.00	13.33	8.8%
<b><u>Total</u></b>	<b>171.98</b>	<b>158.94</b>	<b>13.04</b>	<b>8.2%</b>
<i>Composition</i>				
Post retirement Plan (ASHI)	144.62	133.57	11.05	8.3%
End of service-annual leave	10.41	8.99	1.42	15.8%
End of service-repatriation benefits	14.81	14.22	0.59	4.1%
Other employee benefits for international experts	2.14	2.16	-0.02	-0.9%
<b>Total</b>	<b>171.98</b>	<b>158.94</b>		

47. The overall increase in these Liabilities, jointly with their disclosure, is explained by Management in Note 2.10, and the basis for the evaluation of Non-current liabilities is given in the Accounting Policies (Note 1, paragraphs 32-34).

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

48. As shown in the table above, the increase in these liabilities, in comparison with 2018, is totally related to the non-current liabilities, mainly to the sub-headings “After Service Health Insurance (ASHI) (11 MCAD)” and “End of service-annual leave” (1.4 MCAD). On the contrary, the current liabilities slightly decreased (-0.3 MCAD).

49. These liabilities are due to actuarial loss or gain and were calculated by an actuary chosen by Management (AON Hewitt), according to actuarial assumptions reported by Management in Note 2.10.4.

50. These assumptions consider elements like the discount rate on long-term Canadian government bonds, with the yield as of 31 December 2019 (1.85%, it was 2.25% in 2018), and the exchange rate between USD and CAD (1.00:1.309 in 2019; it was 1.00:1.365 in 2018). In compliance with IPSAS 39, a sensitivity analysis relating to the discount rate is disclosed by Management in Note 2.10.2, paragraph 97.

51. During our mandate, we have constantly monitored the problems related to the actuarial liabilities and the financial sustainability of the organization. We have also emphasized the issue with a specific paragraph in the audit opinion, as envisaged by the standards, even issuing an unmodified opinion.
52. In our first report, we have issued three recommendations, two suggestions and we have also drawn the attention of the Council on the problems related to the actuarial liabilities and their underfunding. The recommendation that we considered the most important was to be assisted by a full actuarial study *“to evaluate when the ICAO financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance scheme”* (rec. 3/2014).
53. We have acknowledged that Management was dealing with the problem and studying remedial measures; therefore we have carried out a performance audit, whose report was presented to the Council in 2016, to analyse the effectiveness of measures taken by ICAO’s Management to reduce ASHI liabilities. Based on the study by the actuary chosen by the ICAO and with the support of the analysis carried out by our actuaries, we addressed some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities, issuing three recommendations, which we consider did not affect acquired rights.
54. The recommendation n. 1 was related to the possibility of paying a premium proportional to the size of the salary or pension, instead of a premium linked to the position (Professional or General services). The recommendation n. 2 considered that a worldwide health coverage for a retiree (charged to the ICAO budget) was very expensive and not linked to service needs; so, it would have been logical for the ICAO only to guarantee coverage for the country of residence.
55. These two recommendations have not been implemented and, apparently, will never. Actually, they are considered as “closed” by Management, with the motivation that *“the two options had been met with strong opposition from the ICAO Staff Association and retirees’ representatives (CAFICS and FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it”*. However, we cannot consider the recommendations as “closed”: indeed, if the situation of the so-called “acquired benefits” remains unchanged, the only alternative measure is that Member States



will have to increase the level of assessed contributions, to allow ICAO to continue working with a sufficient amount of funds.

56. Indeed, the level of actuarial liabilities are stringent key indicators for the Council that, in the future, the ICAO budget will be affected by a significant increase of employee benefits expenditures. Furthermore, as we had already highlighted in our past reports, we note that an “expectation” is not an “acquired right” and, in our opinion, there is also a difference between “acquired rights” and “acquired benefits”: as an example, there is certainly the acquired right of having a “health scheme” to cover medical assistance; nevertheless, the level of coverage, additional to the essential, cannot be considered as an acquired right, because this kind of benefits are always subject to changes.
57. The only recommendation that was, in principle, accepted by the organization was the recommendation 3 of the special report on ASHI, related to the so called “opt-out” incentive, i.e. a sum paid one-time to the retired people as an incentive to leave the ASHI scheme. Given that, in another report we recommended (recommendation n. 7 in the report on FS 2016) that a new actuarial study were performed once “*the current measures considered by ICAO*” had been adopted, in order to evaluate if and when the actuarial liabilities could affect the ICAO ability to continue as a going concern.
58. The recommendation was agreed by SG, but, eventually, Management referred that the “opt-out” incentive “*was not accepted by the majority of ICAO’s staff and retirees*” and therefore will not be implemented.
59. It is to be considered that, except for the increase in the retirement age from 62 to 65 (effective starting 1 January 2019), no other structural measures have been adopted, at the moment, in order to reduce the underfunding of the actuarial liabilities. This is considered in our follow-up analysis carried out in Annex 1.

***Negative value of the ICAO’s Net-assets is highly influenced by actuarial liabilities.***

60. The following table shows the trend of non-current liabilities in the period of our mandate as External auditor at ICAO, i.e. the Financial Statements 2014-2019.

	Financial Statements (in MCAD)					
Year	2014	2015	2016	2017	2018	2019
Non-current liabilities	147.5	149.1	142.4	146.7	151.0	164.3
Net Assets	-92.3	-87.3	-67.5	-65.7	-57.8	-68.4

61. The table clearly shows, firstly, that the increase of the retirement age, which influenced the actuarial assumptions, had only a small impact and only in the short-term, as our actuaries highlighted in their recalculations (see paragraph 64 of our report on FS 2016). On the other hand, we can see that, even when the negative net assets decreased, the non-current liabilities increased.
62. In 2019, the amount for non-current liabilities (164.3 MCAD) represented 35.8% of total liabilities (459.4 MCAD) and had a strong impact on the ICAO's net asset, especially considering actuarial liabilities only in the context of the "regular programme": indeed, ICAO financial statements' amount is highly influenced by the TCB transactions.
63. Indeed, as results from note 5.2 (segment reporting), the total assets of ICAO amount to 390.9 MCAD, where 231.6 MCAD are from "Technical Co-operation Project Activities" and the Regular activities total assets are 159.6 MCAD. The total liabilities are 459.4 MCAD, where 231.6 MCAD are composed of "Technical Co-operation Project Activities" and the Regular activities total liabilities are 228 MCAD. This means that, on the ICAO FS, the TCB activities are neutral; this also means that the negative value of ICAO net assets is entirely comprised in the regular programme.
64. Last year, we recommended (recommendation n. 3/2018) that "*when considering a funding strategy for the actuarial liabilities related to ASHI, any potential measures be assessed by a new actuarial study, in order to analyse their appropriateness of having a positive impact in the ICAO regular budget in the short-, mid- and long-term scenario*".
65. The recommendation was only partially accepted. Management's comments were that "*A new funding strategy in the future is subject to the availability of funds. Only*

*if an indication of sufficient funding is available, ICAO can have any potential measures assessed by a new actuarial study”.*

66. In this regard, we remind again that the Chair of the Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency, summarising the works of the Panel in its meeting of 2017, wrote to the Secretary General of the United Nations: *“The Panel noted that employee benefit liabilities are having a significant impact on the net value and financial health of entities. It remains essential that the financial statements accurately and transparently disclose these Liabilities. This enables Governing Bodies to make effective decisions to enable them to continue review of the appropriateness of their Long term funding strategies, **which differ between entities**. While acknowledging the important work being undertaken by the IPSAS Task Force on the harmonisation of actuarial assumptions and the system response to revised accounting standards, the Panel **recommends that the UN entities should have a Long term funding strategy for these liabilities**”.*
67. For this reason, at the end of our mandate, we are obliged to maintain all our recommendations on the ASHI issue as “ongoing”. However, we understand that the Management acted on the basis of its competences and powers; further actions probably fall outside its mandate.
68. We also note that decisions on measures to be taken, to reduce underfunding, cannot be subject to the opposition of the staff / retirees associations: there is a clear conflict of interest, because no one would ever decide to reduce their benefits. In this sense, we consider important that ICAO Council be supported by independent experts in carrying out a thorough analysis of the most effective potential measures needed for reducing the ASHI liabilities in the medium- and long-term. Moreover, as auditors, we need to highlight the risks of maintaining the pay-as-you-go system, especially in the current situation, with a zero nominal growth budget and an ongoing pandemic.
69. With these preconditions and the curve of ASHI liabilities constantly increasing, there could be the risk of impacting the going concern ability of the Organization.

***To the Council's attention (1)***

70. For this reason, we endorse the recommendation of the Panel of external auditors and we draw the attention of the Council on the need to assess, with a full actuarial study, when the ICAO financial health will be affected by the ASHI liabilities, with regard to its going concern ability. According to the results of the study, we also recommend that a long-term strategy be studied, in order to mitigate this risk, even considering possible remodulations of the benefits or a different distribution of the contributions between staff and organization.

***Based on the ICAO's assumptions, the value of liabilities is substantially correct***

71. The choice of actuarial assumptions is the sole responsibility of Management. In relation to the audit of the Financial Statements, the External Auditor checks their plausibility and their consistency with IPSAS 39 and with previous years and validates them.
72. Our team of actuaries carried out a review of the key assumptions related to 2019, which were discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at the ICAO at the moment of our audit, and we validated them.
73. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the ASHI, Annual leave and the Repatriation Grant; they also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used by AON. Management and its experts provided full cooperation and assistance to our actuaries.
74. The work of our actuaries revealed that the amounts recorded in the accounts were substantially correct.

**NET ASSETS**

75. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2019, Net assets resulted in a negative value of -68.4 MCAD, with a decrease of around 10.6 MCAD (18.4%) compared to -57.8 MCAD in 2018. Please refer to Paragraph 62 for an explanation.
76. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II "Statement of financial performance", which shows the deficit for the period (6.0 MCAD);

- b) Statement III “Statement of changes in net assets” with the movements listed separately;
- c) Note 2.12, where Management discloses details on the composition of the reserves.

## **STATEMENT OF FINANCIAL PERFORMANCE 2019**

77. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis to explain the year’s net deficit or surplus. The result for the period is a deficit of around 6 MCAD.

### **REVENUE**

78. Total revenues amounted to 297.3 MCAD, with a decrease of 24.2 MCAD (-7.9%) as compared with 2018 (321.5 MCAD). This was composed of:

- a) “Contributions for project agreements” totalling 138.2 MCAD in 2019 and representing 46.5% of Total revenues; these contributions decreased by 18.5% from 2018 (169.4 MCAD);
- b) “Assessed contributions”, amounting to 109.8 MCAD in 2019, representing 36.9% of Total revenues, an increase of 11.6% compared to 2018 (98.4 MCAD);
- c) “Other revenue producing activities”, totalling 25.4 MCAD in 2019, and representing 8.5% of Total revenues, almost the same amount than in 2018 (25.5 MCAD);
- d) “Other voluntary contributions” totalling 16.5 MCAD in 2019 (5.6% of Total revenues), a 13.6% increase compared to 2018 (14.5 MCAD);
- e) “Administrative fee revenue” and “Other revenue” totalling jointly 7.4 MCAD in 2019 (2.5% of Total revenues), a 45.5% decrease compared to 2018 (13.6 MCAD).

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

### **EXPENSES**

80. Expenses totalled 303.3 MCAD, with a decrease of 10.6 MCAD (3.4%) as compared with 2018 (313.9 MCAD). These were composed of:

- a) "Staff salaries and employee benefits", totalling 172.2 MCAD in 2019 representing 56.8% of Total expenses; a decrease of 0.8% from 2018 (173.6 MCAD);
- b) "Supplies, consumables and others", amounting to 86.8 MCAD in 2019 and representing 28.6% of Total expenses, decreasing 14.4% compared to 2018 (101.4 MCAD);
- c) "General operating expenses", totalling 20 MCAD in 2019 and representing 6.6% of Total expenses, increasing 11.8% compared to 2018 (17.9 MCAD);
- d) "Travel", totalling 13.9 MCAD in 2019 and representing 4.6% of Total expenses, down 11.3% compared to 2018 (15.7 MCAD);
- e) "Meetings, Training and Other expenses", totalling jointly 10.4 MCAD in 2019 (3.4% of Total expenses), a 93.7% increase compared to 2018 (5.4 MCAD).

## **Procurement**

- 81. During our audit, we carried out, from remote, a testing of the regularity and the consistency with the rules of a limited sample of DPOs. We detected that some DPOs below 10 thousand CAD had been issued with no sufficient documentation able to justify the correctness of the procedures applied.
- 82. Furthermore, in the above-mentioned cases, we found no evidence of a competitive process (minimum 3 quotes), as requested by the ICAO Procurement Code.

### ***Recommendation n. 3***

- 83. Before approving the DPOs themselves and in order to enhance the level of internal control, we recommend, in case of DPOs below 10K CAD, through verification against a checklist, that Bureau Directors and Chiefs monitor and ascertain adherence to the DPO Guidelines by their staff and ensure that all processes are followed and appropriate documentation is presented.

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

The recommendation is accepted. As per ICAO Procurement Code the Allotment holders have delegated Authority for procurement below \$10,000. Consequently Allotment Holder Supervisors, Chiefs, or Bureau Directors should be held accountable and provide the necessary due diligence, with reference to the available on-line training course as well as the DPO guidelines.

### ***Long term agreements (LTAs)***

84. During our testing, we detected that in one specific case related to a specific supplier, 16 DPOs (each of them below 10k) had a cumulated value of CAD 20.836,51, above the threshold required by the ICAO Procurement code, and eight of these DPOs were not covered by the related LTA with the mentioned supplier. Furthermore, in relation to some of these DPOs, we did not find any evidence that they had been awarded following a competitive process; PRO confirmed our finding.

#### ***Recommendation n. 4***

85. In order to enhance the level of internal control, we recommend that PRO should strengthen the checks of DPOs that could be matched and referred with LTAs currently in place at ICAO, and to cancel the agreement followed by the DPOs not supported by sufficient documentation

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

The recommendation is accepted subject to having the necessary additional human resources.

#### ***Recommendation n. 5***

86. Furthermore, in case specific technical needs might require the issuance of a DPO and/or a competitive tender where one of the participant is a supplier which has already an active LTA with ICAO, we recommend strengthening the level of checks not only during the award process but also on the performance of the supplier.

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

The recommendation is accepted. PRO is developing a supplier performance evaluation that shall also be applied to LTAs.

87. There could be the risk that a participant, having an active LTA with ICAO, might have advantages with respect to other suppliers, and therefore the risk of not having a fair competition for that specific DPO would increase. In this regard, we have discussed with Management some alternatives procedures that might lower the above-mentioned risks.

**Recommendation n. 6**

88. In order to strengthen the fairness of the competition, we recommend, in the event that the DPO is less than 10K CAD and one or more participants have an active LTA with ICAO, if the good or service being requested is outside the LTA provisions, to prepare a competitive tender.

**Proposal and comments by the Secretary General**

The recommendation is accepted. LTAs are only dedicated for a specific commodity or service. LTA guidelines will be issued in 1<sup>st</sup> Quarter 2021.

**Segment reporting**

89. A report by segments is provided in Note 5 of the 2019 Financial Statements. The aim of this segmentation is to disclose the financial position and financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019**

90. Statement III, "Statement of changes in net assets", shows movements during the year, ending in a negative balance of -68.4 MCAD as of 31 December 2019. The worsening in the negative net assets is mainly due to the variation in actuarial loss and to the deficit of the year.

91. Our audit conclusions on the negative net assets are noted in the paragraphs related to "Employee Benefits".

**STATEMENT OF CASH FLOW**

92. The Statement of cash flow identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.

93. In 2019, the ICAO reported a net cash flows of -58.5 MCAD from operating activities, which was negative, lowering the figure shown in 2018 (-37.4 MCAD). The value is due mainly to the increase in "contribution receivable" (see above,



paragraph 31, point a) and to the decrease in advance receipts; the breakdown in note 2.8, showed the decrease in “voluntary contributions for TC Projects”: these represent receipts of contributions less related expenses at year-end. Please refer also to paragraph 44, point a), above.

94. Net cash flows from investment activities (3.4 MCAD) showed a negative variation as compared to 2018, due to a decrease in Interest income and an increase in Acquisition of property, plant and equipment and Intangibles. The net result in cash and cash equivalents showed a decrease of 56 MCAD in 2019.

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

95. Statement V, “Comparison of budget and actual amounts for the year ended 31 December 2019”, is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between the budget and actual amounts. Further details concerning Statement V are provided in Note 4.
96. As stated above (see paragraph 1, second to last bullet point) implementing our recommendation n. 15 on FS 2016, the Financial Statements comprise the Statement V-A, which also shows the Funds that are reported under “Regular activities” and budgets that are publicly available (AOSC Fund).

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

97. As usual, our long form report ends with the follow-up tables (Annexes 1 and 2) that resume the status of implementation of the recommendations and suggestions issued in our previous reports, not only in the financial reports, but also in the special reports.
98. This year, as a final summary of our past solicitations to the Council on topics that we have deemed of particular relevance, we have also added an Annex 3, listing all of our Council’s calls to attention in our past reports.
99. Being this the last financial audit report of our Audit Mandate, all recommendations that we have assessed still as “ongoing” will be followed up by the next External Auditor, that will be duly informed about them, according to the Protocol for the hand-over established by the Panel of External Auditors of the United Nations, the Specialized Agencies and the IAEA.

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

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Rec 1 audit report on ethics framework</b>	Should the Council take the decision to outsource the investigation function, we express the view that a future decision on a new model of Ethics framework should be backed up by a thorough assessment (such as a cost-benefit analysis) of the effectiveness of the current positions, including the membership of IC. Therefore we recommend that Management should urgently prepare internally such assessment in view of a redesigned Ethical framework, which be effective in the event of outsourcing, or, if it does not have internal capacity, that Management should request an offer or assign the cost-benefit analysis to an independent and skilled UN office, with solid experience in Ethics matters.	The Secretary General agrees in principle with the proposed thorough assessment (cost benefit analysis) would assist the Council in taking an informed decision as to the outsourcing of the investigation function or part thereof. The United Nations itself and the majority of Specialized Agencies surveyed have established their own internal structures to deal with investigations and do not use an outsourced model. ICAO should similarly explore the feasibility of having structures in place that are required under the Ethics Framework, and evaluate the cost effectiveness and efficiency to the Organization prior to any final decision. ICAO has received a proposal from the OIOS which is currently under consideration. A number of investigations are also being carried out externally by OIOS. However, no clear information about the cost of such investigations or any future investigations that may be assigned, as well as the timelines for completion of investigations has been made available to ICAO. In order to preserve the objectivity of such an assessment, the Secretariat would prefer to engage an independent entity either within or outside the UN system that is not currently involved in the provision of investigation services to ICAO to undertake the said assessment.	<p><b>Update as of 31 January 2020:</b> Pending. There is no decision with respect to outsourcing of the investigation function under the current Ethics Framework. Once a decision is made, the proposed thorough assessment of the effectiveness of the current positions, including the membership of the Investigations Committee, will be carried out.</p> <p><b>Update as of 14 October 2020</b> The thorough assessment (cost-benefit analysis) proposed by the External Auditors was superseded by the Council's decision (C-DEC 218/7, para. 7 d) refers) to establish a group from among Council Members, including some with relevant UN experience, to work on consolidating all of the various elements contained in the C-WP/14977 (Report of the External Auditor on Audit Activities – Ethics Framework at ICAO), as well as the recommendations related to the ICAO Framework on Ethics contained in C-WP/14946 [Annual Report of the Evaluation and Audit Advisory Committee (EAAC)] and in the letter dated 19 November 2019 from the Chairperson of the EAAC to the President of the Council and Council Representatives, which were considered pertinent to the Secretary General's proposal for the revision of the Ethics Framework as contained in C-WP/14974 Revision No. 1. The Small Group's report, which was endorsed by the HRC on 10 March 2020, recommended several reforms to the ICAO Framework on Ethics which were ultimately approved by the Council, which also adopted a consolidated text of the revised ICAO</p>	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			Service Code at its seventh meeting during the 220th Session on 17 June 2020 (C-DEC 220/1 and C-DEC 220/7 refer).	
<b>Rec 2 audit report on ethics framework</b>	Furthermore, in order to assist the Council in taking an effective decision on outsourcing investigation functions and redesigning the Ethics Framework, <u>we also recommend</u> that the ICAO Secretariat, mainly through LEB, provide urgent advice to the Council as to the areas on which the Ethics framework should be strengthened. With regard in particular to the Service code, this might concern: (i) how to deal with potential conflicts between the investigator and the investigated person, (ii) operating procedures for the <i>prima facie</i> assessment and the investigation, (iii) the timing for taking unbiased decisions when a formal decision is recommended by the independent investigator at the end of its investigation (preparing a list of sanctions, whose severity be proportional to the misconducts, in order to increase the objectivity), (iv) the impact of outsourcing on Management, (v) how the rules could be made applicable to all ICAO officials, including the President of the Council, (vi) clarification on which kind of complaint should be outsourced, who should be the recipient for whistle-blowing, etc.	Appropriate due process provisions and associated timelines for handling unsatisfactory conduct and investigations will be included in the Staff Rules and Personnel Instructions, following the Council's decision on the revised Service Code. Such provisions are partially addressed in the existing Staff Rules (110.1) and Personnel Instructions (PI/1.6), although they could be updated. Note, however, that within the list of disciplinary and administrative or managerial measures set out in the relevant rules, there are no predefined sanctions for misconduct in the UN. The relevant authorities have discretion to impose disciplinary and/or administrative and managerial measures that are proportionate to the gravity of the misconduct at hand. With regard to the scope of the Ethics rules, the Service Code applies to Staff Members appointed by the Secretary General. The Council is best placed to decide how a code or charter of conduct could be established and administered for Council Representatives and other categories of officials who are not governed by the ICAO Service Code.	<p><b>Update as of 31 January 2020:</b> Areas in which the Ethics Framework could be strengthened were identified in the proposed revisions that were presented to the Council in C-WP/14974 Rev. 1 during the 218<sup>th</sup> Session. The Council deferred consideration of the said paper to the 219<sup>th</sup> Session.</p> <p><b>Update as of 14 October 2020</b>  The recommendation of the External Auditors was superseded by the decision of the Council to establish a Small Group as indicated above. This notwithstanding, the Secretariat provided immense support to the Small Group and, in particular, drafted revisions to the Service Code to reflect the policy directives issued by the Small Group and endorsed by the HRC and the Council. Following the approval of the revised Service Code by the Council on 17 June 2020, the Secretariat is in the process of aligning the relevant Staff Rules and Personnel Instructions with the provisions of the revised ICAO Framework on Ethics. The Small Group also proposed separate rules that would apply to the President of the Council and the Secretary General in the event that misconduct or retaliation cases are brought against them. The proposed rules, which are still under consideration by the Council, are intended to be published as Appendices G and H to the Rules of Procedure for the Council (Doc. 7559).</p>	Ongoing

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<b>Rec 3 audit report on ethics framework</b>	In the event of a decision to outsource part of the current ICAO Framework on Ethics (see paragraph 0), in addition to <b>Errore. L'origine riferimento non è stata trovata.</b> , <u>we recommend</u> that Management should also submit to the Council a specific draft proposal on the “oversight function”, which should include the key indicators appropriate for the assessment.	Accepted. The Secretariat will submit a proposal to the Council for consideration.	<p><b>Update as of 31 January 2020:</b> Pending. There is no decision with respect to outsourcing of part of the current Ethics Framework. When a decision has been made, the Secretariat will submit the referenced draft proposal.</p> <p><b>Update as of 14 October 2020:</b>  The recommendation of the External Auditor was superseded by the approval of the Council of the revised text of The ICAO Service Code (C-DEC 220/7 refers).</p>	Closed
<b>Rec 4 audit report on ethics framework</b>	Furthermore, <u>we recommend</u> that, prior to the outsourcing decision, Management should submit to the Council the draft “Memorandum of Understanding” that ICAO would apply, including the obligation of the external service provider to comply with the ICAO Service Code and Rules and legal framework, and to be monitored by the ICAO independent functions with oversight capacity. Oversight bodies and committees should also be involved in providing advice to the Council.	Agree in principle. The Council must first identify the specific functions to be outsourced and the Council must also decide on the outsourcing model. The modalities of implementing any such decision would amount to a business/operational decision that should not be enacted as part of the Service Code. Should Council decide on outsourcing, management will submit the relevant operational options for consideration through the appropriate channels. All agreements and arrangements between ICAO and external entities are reviewed under the Policy on Interactions with External Entities (CCEP framework). Should it become necessary to procure the outsourced functions, this would be done in accordance with the Procurement Code.	<p><b>Update as of 31 January 2020:</b> Pending. No decision has been made with respect to outsourcing of part of the current Ethics Framework. This notwithstanding, the Organization has continued discussions with OIOS for the establishment of a formal arrangement under which OIOS will investigate cases for and on behalf of ICAO. Any such agreement will be submitted for internal approval in accordance with the applicable rules, policies and procedures.</p> <p><b>Update as of 14 October 2020</b>  In order to establish MoUs for the outsourcing of certain tasks and activities required for the implementation of the revised ICAO Framework on Ethics, the Secretariat conducted negotiations with United Nations Office of Internal Oversight Services (OIOS) and United Nations Ethics Office (UNEO). In this context, the Secretariat reviewed two separate proposed draft MoUs and submitted its comments on them to OIOS and UNEO, for consideration. The Secretariat’s comments were aligned with the Council decisions, and the MOUs will be consulted with the Council Small Group upon completion of the review</p>	Partially implemented

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			by the Secretariat.	
<b>Rec 5 audit report on ethics framework</b>	Based on the considerations above, in particular those to which we have drawn the Council's attention in paragraph 0, although we understand that the decision to appoint an internal LEB officer as acting EO, until the vacancy is filled, was taken because of unforeseeable circumstances and timing constraints, we observed that, due to the particular role of the EO in the Investigation Committee, this could lead to situations of potential conflicts of interests in managing both the <i>prima facie</i> assessment and the decision within the Investigation Committee as to whether to start an investigation or not. Therefore, in order to avoid such situations, we <u>recommend</u> that the Secretary General should reconsider the decision to have an internal LEB officer acting as EO.	While the Secretary General agrees with the proposition to reconsider the composition of the Investigations Committee as a whole, the recommendation to reconsider the decision to have an internal LEB officer acting as the Ethics Officer is not accepted. The ethics function is critical for maintaining high standards of integrity, respect and accountability within the Organization. The Secretary General's decision to appoint an acting Ethics Officer was intended to avoid disruption and ensure continuity in the delivery of the ethics function in the best interests of the Organization. It is within the authority of the Secretary General to make interim arrangements in cases of unexpected vacancies. The Secretary General applied all required due diligence including obtaining the written approval of the President of the Council and notification to all Council members of the interim arrangements to cover the ethics function. There are adequate safeguards within the Terms of Reference of the Investigations Committee and the ICAO Service Code (including recusal in the event of a conflict of interest) to ensure the integrity of the processes. These safeguards have been effective as established by the External Auditors in paragraph 75 above. Currently, in accordance with the provisions of the ICAO Service Code, the Secretary General has designated two professional-level staff members from LEB to serve as member/alternate on the Investigations Committee. These two LEB staff members have ongoing access to confidential ethics files in the same manner as the acting Ethics Officer does. They also participate fully in the deliberations and decision-making processes of the Committee. Although firewalled from LEB when acting as members of the Investigations Committee,	<p><b>Update as of 31 January 2020:</b> This recommendation is not accepted.</p> <p><b>Update as of 14 October 2020</b></p> <p>The recommendation of the External Auditors was superseded by the recruitment of an external Ethics Officer who assumed his duties in September 2020.</p>	Closed

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		these LEB officers have been performing their duties as legal officers and as member/alternate on the Investigations Committee <b>concurrently</b> , and they report directly to the Director of LEB. The External Auditors do not consider that the Secretary General's designation of the LEB officers as member/alternate on the Investigations Committee presents any risk of actual or perceived conflicts of interest, yet they express concern and recommend that the Secretary General should reconsider the appointment of the acting Ethics Officer, who during the period of the acting appointment, is completely removed and functionally independent from LEB, and reports directly to the Secretary General. This recommendation appears to be subjective and without factual basis. The proposition in paragraph 74 that an adequate "cooling off" period should ensue before the acting Ethics Officer returns to his functions as a legal officer in LEB is also without factual or legal basis.		
<b>Rec 6 audit report on ethics framework</b>	The current whistle-blower policy might not be effective in the present situation in which an internal staff member is performing albeit <i>pro-tempore</i> , the EO function. In order to reduce the risk of ineffective whistle-blower policy, <u>we recommend</u> that, pending a Council's decision on outsourcing and its implementing acts (see, as a reference, paragraph 0), and in view of the time that will be needed to realign the Ethics framework to this future decision Management might outsource the Ethics Officer function to a person or a UN office that can be perceived as <i>super partes</i> (see also <b>Errore. L'origine riferimento non è stata trovata.</b> ).	While the Secretary General does not object to the suggestion in paragraph 44, an effective interim arrangement was necessary to avoid disruption and ensure continuity in the delivery of the ethics function following the unforeseen separation of the former Ethics Officer. The recommendation implies that the Organization should outsource the ethics function permanently rather than engage an Ethics Officer because his or her status as a staff member will reduce the effectiveness of the whistle-blower policy. The recommendation is not based on facts. The Ethics Offices of other UN common system organizations do not handle allegations of misconduct except retaliation. The recommendation that an Ethics Officer should be engaged from another Agency in order to be perceived as <i>super partes</i> is unacceptable since the functions and duties of the ICAO Ethics	<b>Update as of 31 January 2020:</b> (This should be directed to the Office of the Secretary General for an update. The Ethics Officer has no mandate to outsource part of the functions of the post to an outside entity.)  <b>Update as of 14 October 2020</b>  The recommendation of the External Auditors was superseded by the recruitment of an external Ethics Officer who assumed his duties in September 2020.	Closed

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		Officers are remarkably broader and different from the functions and duties typically performed by Ethics Officers in the UN and other Specialized Agencies. In any event, it is useful to note that Ethics Officer post in the UN and in the majority of the other Specialized Agencies surveyed is not subject to a non-renewable one-term limit as in ICAO.		
<b>Rec 7 audit report on ethics framework</b>	Considering that in the UN system there is no effective and clear guidance on how to manage the <i>prima facie</i> assessment, <u>we recommend</u> that Management should urgently develop guidelines, with the help of an independent external advisor, in order to align them to the ICAO Service Code; in particular, these guidelines should define (i) <i>who</i> will be responsible for carrying out the <i>prima facie</i> assessment (ii) <i>how</i> the principles of due process should be followed (iii) the timing (iv) the level of confidentiality needed (v) the scope (vi) which body/office should independently review compliance with due process principles, and (vii) what procedure should be followed by Management at the completion of the assessment, to establish <i>how</i> and <i>when</i> to start an investigation, should the need arise.	Accepted. This will be implemented as soon as the Council approves proposed changes to the Ethics Framework currently pending before the Council. However, it is to be noted that this recommendation may become redundant should the handling of misconduct under the Ethics Framework be outsourced.	<p><b>Update as of 31 January 2020:</b> Pending. There is no decision with respect to the proposed revisions to the current Ethics Framework.</p> <p><b>Update as of 14 October 2020</b></p> <p>The revised Ethics Framework approved by the Council provides for direct reporting of all misconduct cases to the investigative entity outside of ICAO (C-DEC 220/1 and C-DEC 220/7 refer). As such the question of developing guidelines for <i>prima facie</i> assessment of misconduct cases is no longer relevant as this would fall under the responsibility of the investigative entity. With respect to claims for protection against retaliation, the revised Ethics Framework provides that the ICAO Ethics Officer is responsible for receiving and conducting preliminary assessments of such claims and, in case of a no <i>prima facie</i> determination, the complainant may request to have the matter reviewed further by an external ethics entity. Relevant provisions would be included in the amended Personnel Instruction PI/1.6 (Procedures in relation to the ICAO Framework on Ethics), which, as noted above, is presently under development.</p>	Partially implemented
<b>Rec 8 audit report on ethics framework</b>	<u>We recommend</u> that Management should urgently apply sanctions to any pending case of staff found guilty as a result of an investigation or of a <i>prima facie</i> assessment, where an investigation is not needed.	While it is accepted that disciplinary measures must be applied in a timely manner, the Ethics Framework does not provide for the immediate application of sanctions on the basis of a preliminary assessment. It	<p><b>Update as of 31 January 2020:</b> All matters in respect of which preliminary assessments or investigations have been completed are being processed in accordance with the</p>	Ongoing

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		is obligatory for the Organization to respect due process rights of staff members in the application of any disciplinary measures.	applicable regulations, rules and procedures.	
<b>Rec 9 audit report on ethics framework</b>	We recommend that Management should urgently apply administrative leave to staff under investigation for substantiated severe allegations in order to minimize the reputational and fraud risks.	Not accepted. While an investigation is ongoing, allegations are not substantiated. Therefore administrative leave may not be applied for "substantiated severe allegations" as recommended. The Service Code provides that if the Secretary General considers that there is prima facie evidence of <b>serious misconduct</b> by a staff member, <b>and that</b> the staff member's continuance in service while an enquiry is in progress and pending a decision by the Secretary General would prejudice the interests of the Organization, the Secretary General may place the staff member on administrative leave.	<b>Update as of 31 January 2020:</b> This recommendation is not accepted.	Not implemented
<b>Rec. 1/2018</b>	Considering that the amount recorded in the Financial Statements under "Cash and cash equivalents", totalling 402.4 MCAD at 31.12.2018 and representing more than 90% of the "Total Assets", is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations from field imprest accounts and for some of the Regional Offices accounts. Due to the relevance of bank confirmation for the auditor's assurance, we renew our recommendation n. 1/2016 and therefore <u>we recommend</u> that Management should urgently: i) rationalise the current list of bank accounts, limiting considerably their number, and ii) identify a process that will induce the banks to send confirmation letters to the Auditor when asked.	The recommendation is accepted. Five additional bank accounts are scheduled to be closed in 2019. We will continue to investigate the possibility of centralizing some field office payments to HQ which will reduce the need for those imprest accounts. We will continue our efforts to increase the return rate of confirmation letters and will look into related best practices from the UN system.	<b>Update as of 31 January 2020:</b> Five imprest, five petty cash, and three deposit accounts were closed in 2019. Additional accounts are scheduled to be closed in 2020 provided alternative methods of payments are satisfactory.	Ongoing
<b>Rec. 2/2018</b>	In order to enhance the level of controls over accounts managed overseas by Regional Offices and Project Managers, <u>we recommend</u> that Management set-up measures that could lead to a direct control over these overseas accounts operated directly by HQ, for the transactions above a given threshold.	The recommendation is accepted. We are working with our regional offices to introduce electronic banking which will allow the treasury office real-time access to the accounts. We will continue to centralize field office payments as much as feasible.	<b>Update as of 31 January 2020:</b> In process. A survey was sent to all Regional offices and the responses are being analysed for action in 2020.	Ongoing



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<b>Rec. 3/2018</b>	<u>We recommend</u> that, when considering a funding strategy for the actuarial liabilities related to ASHI, any potential measures be assessed by a new actuarial study, in order to analyse their appropriateness of having a positive impact in the ICAO regular budget in the short-, mid- and long-term scenario.	The recommendation is partially accepted. A new funding strategy in the future is subject to the availability of funds. Only if an indication of sufficient funding is available, ICAO can have any potential measures assessed by a new actuarial study.	<b>Update as of 31 January 2020:</b> Position not changed.	Ongoing
<b>Rec. 4/2018</b>	During our audit we have notice that the ICAO Financial Regulations (Sixteenth Edition — 2017) do not make any reference to procurement rules and principles, therefore <u>we recommend</u> amending them in order to comply with the United Nations best practices	The recommendation is partially accepted. The existing ICAO Procurement Code already provides details on general procurement principles and guidelines to follow and the Secretariat considers it would be a duplication to include the same information in the ICAO Financial Regulations. Different UN agencies have different practices on whether to include procurement related information in the Financial Rules and Regulations and there is no consensus on which practice is the best. The Secretariat has planned to do a comprehensive review of the Financial Regulations in the next triennium. As part of this review, the Secretariat will evaluate the need and best way to reflect references to procurement on the FRR, taking into account UN practices.	<b>Update as of 31 January 2020:</b> Position not changed. The comprehensive review of the Financial Regulation is targeted in 2020-2022 triennium.	Ongoing
<b>Rec. 5/2018</b>	In order to avoid the risk that situations of monopoly could occur and competitive procedures are bypassed, <u>we recommend</u> , when sole source requests are submitted by the requisitioner to Procurement, that the exception based on the need of standardization or compatibility be verified, in order to confirm that it is appropriately justified, when standardization is evoked, to indicate that only one supplier or vendor is obtainable. Under this exception to the same supplier, Procurement should also consider equipment life cycle.	The recommendation is accepted.	<b>Update as of 31 January 2020:</b> This recommendation is being implemented consistently each time that a sole source is requested.	Closed

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<b>Rec 1 audit report on procurement</b>	In order to conform to the guiding principles of procurement (best value for money, accountability, integrity, transparency, fairness, effective competition, best interest of the Organizations) and reduce the usual ethical risks in procurement (conflict of interest, fraud, corruption, coercion and collusion), <u>we recommend</u> reviewing the ICAO Procurement Code and other policies in order to relocate the Procurement Section to an independent position in the ICAO structure, like, for example, the Bureau of Administration and Services (ADB) or the Office of the Secretary General (OSG), and serve all ICAO equally, without affecting the efficiency and the effectiveness of the procurement activity for the Technical Cooperation projects.	<b>Agreed.</b> The implementation of this recommendation will take effect after a full and holistic analysis of the procurement function and structure as well as the consequences of the proposed relocation are performed. Such relocation is subject to demonstrated improved efficiencies and effectiveness of the service provided to various stakeholders, both internal and external. The Procurement Code will also be reviewed and updated to reflect these changes. <b>Timeline: End June 2020</b>	<b>Update as of 31 January 2020:</b> In accordance with C-DEC 217/14, the Council did not approve the transfer of the Procurement Section to the Regular Programme structure, as proposed by the Secretariat in C-WP/14881 in response to the recommendation of the External Auditor.	Ongoing. This statement does not correspond to what Council decided, considering also that the report on Procurement structure has not yet been examined by the Council
<b>Rec 2 audit report on procurement</b>	In any case, <u>we recommend</u> that the technical unit within PRO be segregated and be independent from all sections in TCB, including the requisitioning entity, and be staffed with the appropriate personnel to carry out technical oversight. <u>We also recommend</u> staffing the Procurement unit with aviation technical personnel, able to review internally the requirements received from FOS.	<b>Agreed to the Recommendation</b> regarding the segregation and independency of the technical function. It should be noted that as part of the efforts to instil a new business model within TCB, TCB management has already considered to segregate the Technical Unit from the Procurement Section and will continue to develop a concrete plan in line with this recommendation with due regard to true segregation of duties, avoidance of conflict of interest and increased efficiency of the process. <b>Timeline: End June 2020</b>	<b>Update as of 31 January 2020:</b> In accordance with Staff Notice 5782 issued on 26 November 2019, the Secretary General approved the segregation of the Technical Unit from the Procurement Section in accordance with the External Audit recommendation. The corresponding job description for the Head of this Unit was developed and a request for issuance of a new post/vacancy announcement submitted. It is expected that the Unit will be fully established by the end of June 2020.	Ongoing
<b>Rec 3 audit report on procurement</b>	Furthermore, <u>we recommend</u> that: a) as already happens for HQ/RO, in case of procurement for TCB, the procurement section, during the requisition phase, be involved only in: 1) providing information (to the requisitioner) on previous, current and upcoming procurement activities for similar products or services being requested; 2) reviewing the purchase requisition for completeness and to ensure that requirements have not been restricted to or biased to one specific supplier; 3) assisting in market studies to	<b>Agreed.</b> However, it should be noted that the actions to be taken to implement this recommendation should not impede the efficiency of the procurement process. The Procurement Code and policies will be reviewed to reflect this recommendation. <b>Timeline: End June 2020</b>	<b>Update as of 31 January 2020:</b> The review of the Procurement Code to incorporate this and other recommendations has been already included in TCB's Operating Plan and is scheduled to be completed by Q4, 2020. Revised timeline: end December 2020.	Ongoing

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	<p>identify sources of supplies, pricing, availability information and the type of competitive process;</p> <p>4) providing advice on the best method to obtain goods and services in a timely manner, at the best possible price with due regard to existing procurement rules and regulations</p> <p>5) developing Long Term Agreements so as to be more efficient;</p> <p>b) the procurement section start the acquisition process only when a requisition: 1) is duly accompanied by Technical Specification or Terms of Reference have been completed and approved by the Requisitioner and in accordance with procurement guidelines; 2) a budget has been assigned and confirmed; 3) a valid and approved sole source is present (if applicable).</p> <p>The Procurement Code and other policies should be reviewed to account for this recommendation.</p>			
<b>Rec 4 audit report on procurement</b>	<p>64. In view of the above, we recommend that the implementation stage, following contract awarding, be transferred to the requisitioner who has conceived the project on behalf of the State, being the accountable party requesting the procurement.</p> <p>65. As part of its post-award, PRO should carry out a contract performance and control review, overseeing cost control and schedule control and not the technical Implementation of the procurement.</p> <p>66. The Procurement Code and other policies should be reviewed to account for this recommendation.</p>	<p><b>Partially agreed:</b></p> <p><b>Agreed to the Recommendations in paragraphs 64 and 66.</b> The Procurement Code and policies will be reviewed to reflect the implementation of this recommendation.</p> <p><b>The Recommendation in paragraph 65 is not accepted.</b> It should be noted that as part of the efforts to instil a new business model within TCB, TCB management has already considered to segregate the Post Award Project Implementation and will continue to develop a concrete plan in line with this recommendation with due regard to segregation of duties, avoidance of conflict of interest and increased efficiency of the process.</p> <p><b>Timeline: End June 2020</b></p>	<p><b>Update as of 31 January 2020:</b></p> <p>In accordance with C-DEC 217/14, the Council did not approve the Secretariat's proposal in C-WP/14881, in response to the recommendation of the External Auditor, regarding the transfer of the Procurement Section (administrative activities) to the Regular Programme structure and the transfer of procurement implementation activities to the Field Operations Section (FOS) in TCB. As part of the new business model and strategy endorsed by the Council on the same occasion, the post award implementation remains in the Procurement Section which will continue to provide contract oversight during implementation, in line with the One-Single Process approach under implementation.</p>	<p>Ongoing.</p> <p>This statement does not correspond to what Council decided, considering also that the report on Procurement structure has not yet been examined by the Council</p>
<b>Rec 5 audit report on procurement</b>	<p>We therefore recommend implementing a two-envelope system for Request of Proposal.</p>	<p><b>Agreed.</b> An in-depth evaluation and possible modification of the current Agresso/Alito ERP will have to be done to accept a web based two envelope system through the procurement portal.</p>	<p><b>Update as of 31 January 2020:</b></p> <p>Where possible, the two-envelope system is being implemented manually at the present time based on a risk analysis while a new replacement for the current</p>	<p>Ongoing</p>

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		<b>Timeline: End December 2021</b>	Web Portal is in place. The corresponding tender is being launched in February 2020 that will be the baseline for a two envelope system as the current system (Alito) does not facilitate a two envelope process. The Procurement Code as well as the evaluation criteria will be revised to account for a two envelope system. Expected Completion Q4, 2020.	
<b>Rec 6 audit report on procurement</b>	Therefore, for the sake of transparency and fairness, <u>we recommend</u> setting-up a procurement challenge/bid protest mechanism, where the complaint is reviewed by an independent entity. This will also lower the risk of conflict of interest/corruption and the reputational risk for ICAO. The Procurement Code and other policies should be reviewed to account for this recommendation.	<b>Agreed.</b> It should be noted that Procurement has already advanced a benchmark with other UN Agencies on implementing a vendor challenge process and will work with ICAO's Legal Bureau to update the Procurement Code and policies and develop a formal process. <b>Timeline: End December 2020</b>	<b>Update as of 31 January 2020:</b> The development of the bid protest mechanism is ongoing and is expected to be implemented by Q4, 2020.	Ongoing
<b>Rec. 5/2017</b>	Having observed that ICT Section is not regularly consulted in case of procurements related to information and communication technology, <u>we recommend</u> that ICAO should adopt a procedure, which envisages to consult ICT in case of this kind of procurement.	The Recommendation is accepted. ADB should draft and propose to the OSG a procedure for all allotment holder to collaborate with ICT before proceeding with a procurement related to ICT.	<b>Update as of 31 January 2019:</b> Procurement section is recruiting an IT expert to help procurement in processing ICT related items.  <b>Update as of 31 January 2020:</b> A consultant was recruited by the Procurement Section to assist in procurement issues for ETS	Closed
<b>Rec. 8/2017</b>	In the event that a GS staff requests to be paid for the overtime work, in order to avoid the risk of potential dispute because of the overtime authorized and not paid for time worked, due to the lack of budgeted resources, <u>we recommend</u> that Management consider reviewing the staff rules 105.3 with specific reference to overtime caps, and compensation for overtime work done either in the form of payment or compensatory leave.	The Recommendation is accepted. Management is committed to review Staff Rule 105.3.	<b>Update as of 31 January 2019:</b> ADB/POD is reviewing the patterns on overtime with a view to proposing a revision to the current staff rule and related procedures. As this will entail an in-depth study to determine patterns and the need to potential introduce new working arrangements such as shift work, and not only adjustments to the current conditions on overtime, it is requested that the deadline for this work be extended from 31 March 2019 to 30 June 2019.  <b>Update as of 31 January 2020:</b> In order to finalize a review of overtime, ADB/POD first needed to evaluate ICAO's standard working arrangements, as this will impact accrual of overtime.	Ongoing

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			<p>A full study has been carried out proposing modifications to existing working hours and official holidays, as well as to introduce flexible working arrangements such as compressed work weeks, staggered hours, flexi-time etc. This proposal has gone through a consultation process with relevant stakeholders and a draft policy has been developed based on input received during the consultation process. Once this policy has been finalized and approved, it will be possible to finalize the revision to the staff rule on overtime and associated personnel instructions. As an interim measure the overall cap of 12 hours of paid overtime a month has been increased to 20 hours per month up to a maximum of 100 hours per year as of 1 January 2020.</p> <p><b>Update as of 13 October 2020</b> Draft Staff Rule 105.3 is under consultative process. Proposed changes to the Staff Rule include provisions in line with the interim measures in force since 1 January 2020 concerning overtime caps.</p>	
<b>Rec. 2 audit report on external parties' agreements</b>	In the consideration of Recommendation n. 5 of the EAO Evaluation Report EVA/2015/1 we acknowledge and welcome the initiative and commitment of the SPCP Office to prepare in the coming months a Partnership Framework for procedures that would extend beyond partnerships with UN entities. <u>We recommend</u> that Management ensure a holistic approach in the drafting of a meaningful procedure to consider interactions with external parties, also supporting the goal for a beneficial engagement with industry stakeholders on the basis of a framework that avoids potential conflicts of interests and enhances transparency and managerial accountability, establishing, for instance, <i>who</i> , independently from the bureau/office that requests an agreement (the initiator), could monitor and assess the	<p><b>Recommendation <u>partially</u> accepted with the following comments.</b></p> <p>Further to the comments under Recommendation No. 1, we consider that inter-Bureau coordination that takes place prior to final submission to the CCEP (a procedure established under paragraph 4.2 of the Policy) provides the necessary assurances that all proposals are duly coordinated with other Bureaus/Offices concerned. Many agreements/partnerships involve multiple Strategic Objectives, and horizontal coordination within the Secretariat ensures that non-initiating Bureaus/Offices have the opportunity to comment on the appropriateness of the proposals. Given the large volume of agreements endorsed by the CCEP to date (over 200 and not one has been</p>	<p><b>Update as of 31 January 2019:</b> A draft partnership framework has been prepared with the goal of ensuring a holistic approach to interactions with external parties in a manner that enhances transparency and managerial accountability and clarifies the controls in place for assessing the appropriateness of agreements when processed for approval. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office.</p> <p><b>Update as of 31 January 2020:</b> ICAO developed and finalized the Partnership Framework Guidance Material. Throughout this process, all Bureaus and Offices, as well as the CCEP were consulted extensively. The feedback received was incorporated accordingly.</p>	Partially Implemented. Due to the SARS pandemic, EA was not able to test the effectiveness of this new procedure put in place by Management, with particular regard to conflict of interest's avoidance

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	appropriateness of the agreement itself.	<p>rejected) indicates that the inter-Bureau review procedure referred to above has been effective, successful and has provided an adequate level of assurances to the Committee when it reviews proposals.</p> <p>While we agree in principle of the benefits of independent oversight on the appropriateness of the agreement when processed for approval, we also believe this should not be carried out at multi-levels thereby creating inefficiencies in processes and procedures. If the recommendation is for this monitoring function is to be carried out at the Secretariat level, there should be also be recommendations on how to avoid duplication of effort when a similar exercise is being carried out by the CCEP.</p> <p>In terms of framework of partnerships with non-UN entities, we also wish to highlight other initiatives referred to below.</p> <p>Recognizing the need to ensure beneficial engagement with industry stakeholders, in 2013, the Secretary General established the Industry High Level Group (IHLG), bringing together the heads of four industry organizations — ACI, CANSO, IATA and ICCAIA — as an informal group which considers international civil aviation matters that can be better addressed in a collaborative arrangement between States and the industry. The Secretariat further encourages and facilitates the participation of key aviation industry stakeholders in multiple initiatives, forums and meetings. To this end, the Secretariat agrees that there should be meaningful procedures in place to support the goal of beneficial engagement with industry stakeholders in a manner that avoids any potential conflicts of interests and enhances transparency and managerial accountability.</p>	The comprehensive Guidance Material ensures a holistic approach to interactions with external parties, in a manner that enhances transparency and managerial accountability. The Guidance Material supports the goal of beneficial engagement with industry stakeholders while avoiding potential conflicts of interest.	

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<b>Rec. 3 audit report on external parties' agreements</b>	<p>The partnership framework to be developed should adequately account for the issue of "Renewals/extensions of expiring agreements" and "Amendment to existing agreements", particularly in the case where the original agreement (MoUs and similar arrangements) were not previously and effectively monitored within the Secretariat.</p> <p>We recommend Management to consider including, in the development of its partnership framework, sufficient procedures to address the following:</p> <ul style="list-style-type: none"> <li>a) The need for the CCEP to review and approve agreements;</li> <li>b) A mechanism, which may include documented processes and procedures, involving both HQ and, as applicable, Regional Offices, to provide reasonable assurances that risks (technical, financial, reputational, legal, etc.) associated with interactions with external parties have been internally assessed and <i>independently</i> monitored;</li> <li>c) Detailed procedures in place that provide adequate clarity on who and how should independently monitor and assess any agreement before being signed by the Secretary General or by the President of the Council;</li> <li>d) The possibility, for all Council members, of having access and visibility to the repository of agreements, including the supporting documentation;</li> <li>e) Procedures for promoting transparency, staff accountability and good governance by providing for an enhanced mechanism of declarations/attestations as regards the absence of conflicts of interests;</li> <li>f) Any information on: <ul style="list-style-type: none"> <li>1) if ICAO had received transparently material or immaterial benefits from the Agreement itself. This in order also to understand if there is any</li> </ul> </li> </ul>	<p><b><i>Recommendation <u>partially</u> accepted with the following comments.</i></b></p> <p>The Secretariat considers that a large majority of the recommendations are already addressed, either in specific paragraphs of the Policy on Interactions with External Parties or via general instructions to all Bureaus/Offices. These include:</p> <ul style="list-style-type: none"> <li>a) paragraph 4.2 d) and Appendix A of the Policy sufficiently address the issue of renewals/amendments to existing agreements whereby only under certain conditions, as verified independently by LEB, those agreements could be exempted from additional CCEP review;</li> <li>b) instructions sent to all Bureaus and Offices of the importance of ensuring all proposals to the CCEP are received by the Committee 10 days before such agreement is to be signed;</li> <li>c) paragraph 4.2 a) which requires inter-Bureau coordination considered as an internal mechanism which could provide additional assurances that necessary consultations have taken place to address different risks (technical, financial, reputational, legal, etc.);</li> <li>d) lessons learned and experience gained from the implementation of the Policy since early 2015 clearly indicate that an overwhelming majority of agreements are administrative in nature, with no agreement rejected and/or considered inappropriate prior to their execution. Furthermore, the Policy is clear on what types of partnerships are exempted from CCEP review;</li> <li>e) an online repository providing the status of agreements which is already available on the ICAO <i>intranet</i> and is maintained by LEB; and</li> <li>f) good governance and abiding by the Principles of Ethics and the ICAO Service Code is a principle enshrined in the Policy (paragraph 4.1 c refers).</li> </ul>	<p><b>Update as of 31 January 2019:</b></p> <p>A draft partnership framework has been prepared which addresses all recommendations, in combination with the updated General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MOUs) and Similar Arrangements</i> prepared by LEB. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office.</p> <p>No further action is required as this is ongoing. LEB continues to review Proposals before CCEP and supports CCEP by providing Legal advice.</p> <p><b>Update as of 31 January 2020:</b></p> <p>ICAO Partnership Framework Guidance Material is now developed and finalized. It has been informed by the comments received from the Secretary General on the recommendations raised by the Corte dei conti.</p> <p>Together with the ICAO Policy on Interactions with External Parties and the revised General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MoUs) and similar arrangements the Similar Arrangements (GSIs)</i>, ICAO Partnership Framework Guidance Material provides internal guidance for Secretariat Staff on the processes and procedures related to ICAO partnership activities. This includes guidance and a checklist on risk assessment and due diligence to ensure the absence of conflict of interest. This promotes transparency, accountability and good governance.</p>	<p>Partially Implemented.</p> <p>Due to the SARS pandemic, EA was not able to test the effectiveness of this new procedure put in place by Management, with particular regard to conflict of interest's avoidance</p>

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	<p>financial risks or liabilities for ICAO and the possible related impact on the Financial Statements;</p> <p>2) if any procurement or direct purchase order has been assigned to the counterpart;</p> <p>3) if the counterpart had respected the role and prerogatives of ICAO without overlapping with ICAO's initiatives, etc. This in order also to understand if there are any reputational risks and if a potential conflict of interest have been duly taken into considerations</p>	<p>However, it is agreed that checklists could be developed to provide additional assurances there is no conflicts of interest.</p> <p>In light of the above, the Secretariat agrees that a comprehensive partnership framework should take into account the issue of renewals and amendments to existing agreements. The procedures should also be in line with the UN best practice. The Secretariat further supports the introduction of processes and procedures that would provide reasonable assurances that any risks associated with interactions with external parties have been internally assessed. There should also be clarity on which agreements need to be submitted to the Committee for consideration. The Secretariat further agrees that it is an essential component of good governance to ensure staff accountability and a mechanism to ensure the absence of conflicts of interest and will address these concerns in the partnership framework under development.</p>		
<b>Rec. 4 audit report on external parties' agreements</b>	<p>In order to increase effectiveness, also in line with the EAO considerations as stated in its Evaluation Report that "partnership agreements [should be] based on well-defined criteria and [should] take measures so that all partnership agreements are linked to ICAO's Business Plan and Strategic Objectives to reap the expected benefits" and that "the absence of expected result in many of the cooperative arrangements, for example, made it difficult to assess the effectiveness and value-added of partnerships", we recommend Management to consider, when developing and implementing its Partnership Framework, that all proposals for interactions, brought forward by the Initiator, should present already clear objectives and indicators, that will allow different Bureaus/Offices and Regional Offices, as applicable, to have the possibility to assess necessity for engagement and to</p>	<p><b>Recommendation accepted with the following comments.</b></p> <p>It is recalled that in the consideration of C-WP/14707, Council (213/3) already decided that each proposal for new and/or amended arrangements submitted to the CCEP for review should be accompanied by an assessment, which should describe the following: nature, level and extent of current cooperation (if any) with the other party; legal views on benefits and utility of the proposed arrangement; and cost or impact to ICAO if such an arrangement were not entered into by the Organization. This is currently work in progress. The Secretariat agrees that partnership agreements should have clear objectives that allow for monitoring the effectiveness of the collaboration. In determining the level and detail of 'expected results', the very wide range of agreements entered into by the Organization</p>	<p><b>Update as of 31 January 2019:</b></p> <p>A draft partnership framework has been prepared which addresses the recommendation, in combination with the updated General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MOUs) and Similar Arrangements</i> prepared by LEB. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office.</p> <p><b>Update as of 31 January 2020:</b></p> <p>ICAO Partnership Framework Guidance Material, ICAO Policy on Interactions with External Parties and the revised General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MoUs) and similar arrangements the Similar Arrangements (GSIs)</i> together provide the Secretariat with guidance and templates to ensure that MoUs contain clear</p>	<p>Partially Implemented.</p> <p>Due to the SARS pandemic, EA was not able to test the effectiveness of this new procedure put in place by Management, with particular regard to conflict of interest's avoidance</p>



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	monitor effectiveness of the agreements and their potential benefits and risks (as specified in para. 61).	must be taken into account and allow for a degree of flexibility.	objectives and indicators and that agreements are linked to and support ICAO's Strategic Objectives.	
<b>Rec. 1 special report on cyber security</b>	In relation to the EAO's recommendation n. 3 ("Network Segmentation"), where is recommended performing <i>"a redesign of the existing LAN segmentation to better accommodate ICAO business and security needs"</i> , <u>we</u> share the EAO's view and further <u>recommend</u> that ICAO start from a collection of services maps that show relationships between every business service and their IT components. In this way, it should be possible to applicate segregation "vertically" (front-end, DMZ, back-end, etc.) but also horizontally, relying on the different critical level of each service.	Recommendation accepted. Already, a set of projects in the Cybersecurity Action plan address the issue of Network segmentation. A preliminary report by a reputable third-party Information Security service provider was presented to ICAO, which will form the basis of the network re-design, and the projects are planned for 2018. The new design will be informed by the relevant Business Service vs. ICT component maps as recommended. A comprehensive programme for Enterprise Architecture for ICT within its own dedicated unit has also been established in the ETS Section. This unit will oversee the creation and maintenance of these maps.	<b>Update as of 31 January 2019:</b> The implementation of this recommendation was delayed because ETS is looking to leverage the implementation of a new firewall infrastructure to involve external expertise on the design of the new architecture with the implementation of the new firewall. The procurement of the new firewalls took longer than initially planned. ETS waited for the firewall procurement process to be completed, to make sure that network architecture mandate would not interfere with the impartial procurement process. ETS is in contact with an expert partner to develop, in collaboration with the Information Security Team, the new network architecture; it is expected that the mandate will be completed in Q1.  <b>Update as of 31 January 2020:</b> The initial recommendation ("Network Segmentation") that ICAO should perform "a redesign of the existing LAN segmentation to better accommodate ICAO business and security needs" has been completed. The further recommendation that ICAO start from a collection of services maps that show relationships between every business service and their IT components has started and is underway. In agreement with EAO, the target date has been extended to June 30, 2020.	Ongoing
<b>Rec. 2 special report on cyber security</b>	With reference to the EAO's recommendation n. 7 ("Telework, Remote Access and Mobile Devices"), which recommends that <i>"a new Instruction should be developed considering controls from the ICAO Acceptable Use document to be combined with controls for teleworking and remote access"</i> , we share the view of the internal auditor and <u>we recommend</u> also that ICAO, apart from developing of a technical	Partially accepted. Teleworking is outside the scope of this audit. ADB/ETS will develop Technical Instructions on Remote Access to ICAO IT resources. These instructions will fully document the services currently in place including the security criteria to be applied and the user's obligations when using such services.	<b>Update as of 31 January 2019:</b> The Technical instructions on Remote access to IT Services are already available. A procedure is already in place to request remote access to ICAO IT services via remote desktop or remote application connections. Criteria are applied to limit access on an as required basis only. Permission is granted for six months only and must be renewed. HR is responsible	Closed

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	instruction about teleworking and remote access, develop a strict policy to regulate such activities, as, for instance, which services are available for teleworkers, which information can be accessed through telework, etc.		to develop AI for working from home.  <b>Update as of 31 January 2020:</b> The AI on “Acceptable use of ICT Resources’ was revised in 2018 to accommodate Teleworking as recommended by the auditors. Ancillary instructions for the services available and what is accessible through which service are published separately by ETS as part of the Operating Instruction to the various services, given that this information evolves according to adopted technology. This item was confirmed as “implemented” by EAO.	
<b>Rec. 3 special report on cyber security</b>	Referring to the recommendation n. 13 of the EAO (“Expand Log Management”), where is recommended “ <i>implementing a full log management system within and controlled by dedicated ICT log management personnel and revising SIEM input requirements to take into account full log inputs and expected additional technical inputs</i> ”, we share the EAO’s view and <u>we recommend</u> , in addition: (i) that logs be collected in order to prevent non-repudiation, e.g. sending them in real time to a central repository where they are digitally signed, (ii) that all system be synchronized on the same time server, (iii) that the personnel that has the administrative assignment on log management infrastructure be dedicated to security monitoring, without having at the same time other administrative tasks (even in other security areas, e.g. firewall administration), (iv) defining a policy of log retention, which considers how long data must be stored, and (v) correlating events and spotting individual anomalies or patterns of behaviour that may indicate a security breach also based on past security incidents.	Accepted in principle and subject to the provision of necessary funding in the regular budget to implement the recommendation. An audit and transaction log management policy has been implemented. An information security operation center roadmap along with a SIEM implementation plan is being executed and monitored using key goal indicators (KGIs). A log system will be implemented for the entire ICT environment to further enhance ICAO information security capabilities. ICAO has outsourced some information security operations functions and will be looking for other opportunities to outsource security functions requiring a high degree of expertise and intensive workload.	<b>Update as of 31 January 2019:</b> Q3/2019 (InfoSec SPLUNK)  InfoSec SOC roadmap to be revised reflecting the implementation of a full log management system. CORE ACTIVITY #3: INFOSEC 1.1.3 in “2019 InfoSec operational plan.xls” is to improve maturity of SPLUNK as a SIEM ecosystem - SPLUNK architecture redesign to improve and augment capabilities to function as a Security Information Events Management (SIEM)  The InfoSec SPLUNK will insure also items (i), (ii), (iii), (iv) and (v). The (iv) will also be developed as a technical instruction in the information security system management (ISMS) (see ICAO InfoSec strategy 2019 presentation to FSMG).  <b>Update as of 31 January 2020:</b> Q1/2020 (for the internal SIEM) Q4/2020 (for the 24/7 monitoring by external partner)  The assessment on the previous SPLUNK environment was made (status of implementation, status of deployment, etc.) and it was judged insufficient to respond to the recommendations.	Ongoing

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			<p>InfoSec has presented the design of the new SIEM Ecosystem to IT on 2019-06-07. The new SIEM ecosystem is addressing items (i), (ii), (iii), (iv) and (v).</p> <p>Three hardware nodes have been delivered by IT on 2019-12-06 and network for the SIEM have been created on 2020-02-26. InfoSec is currently working on deploying the SIEM ecosystem's cluster &amp; components on these three nodes.</p> <p>The SIEM ecosystem is part of the strategy to outsource the 24/7 monitoring to an external partner MSSP (managed security services provider). 1/ internal SIEM ecosystem, 2/ external SPLUNK cloud, and 3/ engage with external MSSP (external partner).</p> <p><b>Update as of 14 October 2020:</b> Q4/2020 (for external SPLUNK)</p> <p>Responding to the items requested,</p> <p>(i) logs are sent from each agent to the central InfoSec SIEM ecosystem. They are not modified from the agent to the management nodes.</p> <p>(ii) all the servers in ICAO are synchronized to the Active Directory servers. The nodes from the InfoSec SIEM ecosystem are running on separate network segments.</p> <p>(iii) personnel to monitor logs should be dedicated to security monitoring. Currently, due to resource constraints we cannot allocate a dedicated resource to perform this activity. The strategy in Operational security is to outsource the 24/7 operations to MSSP (managed security services provider).</p> <p>(iv) until the external SPLUNK is available (with 1 year retention), all logs in the internal InfoSec SIEM ecosystem are not removed. Funding has been approved for the external SPLUNK.</p>	

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			<p>(v) At the end of June 2020, IT opens the network traffic to the InfoSec SIEM ecosystem. The InfoSec SIEM ecosystem went live on June 22nd, 2020. Since its deployment, it was the main platform to answer to several incidents (exposing several IT issues and responding to several incidents involving Delegations). Its design had been discussed with UNICC and UNICEF, as well as external partners recommended by Microsoft.</p> <p>Status: On-going</p>	
<b>Rec. 4 special report on cyber security</b>	<p>Considering that the current scope for the ISMS, as designed, may not accurately describe the boundaries and applicability of the ISMS itself, because some of the controls required for designating risks had been bypassed (see para. 30), <u>we recommend that ICAO undertake a review to include controls of Standard ISO 27001:2013 that are currently neglected, such as A.14.2.7, outsourced development, and control objectives A.15.1 and A.15.2, related to third parties.</u></p>	<p>Accepted. ICAO recently created a CISO position and is in the process of filling the position. Once the CISO is appointed, reviewing the current ISMS situation and the appropriate control standards will be addressed as a matter of priority.</p>	<p><b>Update as of 31 January 2019:</b> Q4/2020 (ISMS Phase I)</p> <p>ISMS is the main item of the InfoSec strategy / organizational security. The ISMS from scoping to risks to controls is being revamped according to the proposed roadmap (see ICAO InfoSec strategy 2019 presentation to FSMG).</p> <p>The controls related to outsourcing, third parties will be part of the risk management framework and program (3rd party risk assessment and compliance 3PCRM).</p> <p><b>Update as of 31 January 2020:</b> Q4/2020</p> <p>On ISO 27001:2013, the Information Security Strategy &amp; Roadmap 2020-2022 has been presented to the Council on 2020-02-03. The strategy mapped the risks assessed both internally and externally by the mandate of UNICC 2019 to the domains of ISO 27001:2013. The organization security is following the ISO 27001:2013 standard, and the operational security is following the NIST Cybersecurity Framework. The presentation material contains</p>	Ongoing

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			<p>scenario taken, risks addressed, costs projected and three-year plan.</p> <p>On the third-parties, ISMS has been restarted in 2020. The first meeting was on 2020-01-28. Five administration instructions have been presented. The Administration Instruction on Supplier Security IS-AI-011 Supplier Security 1.3 (A.15.1.1) was one of the five. It outlines how to address the risk assessment with the supplier (Administrative Instruction, ICAO Supplier Security Assessment Questionnaire, Risk assessment). InfoSec was working with Procurement. Currently, IS-AI-011 Supplier Security 1.3 (A.15.1.1) is going through the minor modification with LEB before being submitted to OSG for approval.</p> <p><b>Update as of 14 October 2020:</b></p> <p>15.1 Information security policy for supplier relationships to 15.2 Supplier service delivery management.</p> <p>Several activities are identified in the Information Security Roadmap 2020-2022, to be carried by the external consultancy firm for implementation. The tender-process is in its final phase.</p> <p>The supplier security IS-AI-011 Supplier Security 1.8 (A.15.1.1) is currently in the OSG for approval. The program and risk assessment for vendor supplier has been “tested” with several projects, for example, deployment of UN Inspira in ICAO, Freemium Impelsys.</p> <p>Status: On-going</p>	

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<b>Rec. 5 special report on cyber security</b>	For a more focused analysis on cybersecurity aspects, <u>we recommend</u> that Management adopt a specific framework, like NIST cybersecurity framework, possibly using an integrated approach with a robust IT management framework. Firstly, and in particular, the “ <i>detect and respond functions</i> ” should be implemented, to allow the ICAO to face sophisticated attacks, like multi-stage malware and advanced persistent threats, that can compromise not only data but also critical services or infrastructures.	Accepted. ICAO recently created a CISO position and is in the process of filling the position. Once the CISO is appointed, reviewing the Information Security posture and selecting the best security framework will be addressed in priority. In 2017, ICAO conducted a comprehensive security posture assessment using ISO27001 and the NIST framework. Based on this information, ICAO Information Security drafted its strategic plan and developed the roadmap to achieve the required security capability maturity level.	<p><b>Update as of 31 January 2019:</b> Q4/2020 (ISMS Phase I, org and operational security)</p> <p>While the ISMS (based on ISO 27001:2013) is part of the organizational security, we use NIST CSF as the standard for the operational security. The combined organizational and operational security use a capability maturity level model and recurrent assessments to acquire maturity (see ICAO InfoSec strategy 2019 presentation to FSMG and milestones).</p> <p><b>Update as of 31 January 2020:</b> Q4/2020</p> <p>On ISO 27001:2013, the Information Security Strategy &amp; Roadmap 2020-2022 has been presented to the Council on 2020-02-03. The strategy mapped the risks assessed both internally and externally by the mandate of UNICC 2019 to the domains of ISO 27001:2013. The organization security is following the ISO 27001:2013 standard, and the operational security is following the NIST Cybersecurity Framework. The presentation material contains scenario taken, risks addressed, costs projected and three-year plan.</p> <p>The capability maturity levels, assessments, measurements, objectives are described in the presentation to the Council on 2020-02-03.</p> <p>InfoSec is currently working with consultant to produce the Information Security Incident Management Framework &amp; Program (1 of the 3 deliverables has been completed). The Administrative Instruction IS-AI-012 Incident Management 2.0 (A.16.1), IS-PRO-020 Incident Response 1.0 along with playbooks have been completed.</p>	Ongoing

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			<p><b>Update as of 14 October 2020:</b></p> <p>The Information Security Incident Management Framework &amp; Program, with the IS-AI-012 Incident Management 2.1 (A.16.1) and the IS-PRO-020 Incident Response 1.2, is now completed. The two documents have been presented to the ISMG of September 2020 and are at final stages of approval.</p> <p>The Information Security Roadmap 2020-2022 contains two components, Organizational security (based on ISO 27001/2:2013) and Operational security (based on NIST Cyber Security Framework), and are mapped/correlated between the two. The Roadmap has been presented in February, then in May, expressing this holistic strategy (Organizational security and Operational security). Progress on the implementation of the Roadmap and on its posture is tracked and presented to the sessions of the Council. Slide deck can be provided.</p> <p>Status: On-going</p>	
<b>Rec. 6 special report on cyber security</b>	We recommend that Management implement a successful cybersecurity strategy, to define a cyber threat information sharing network, which can increase the efficiency and effectiveness of an organization's cybersecurity capabilities. As an example, NIST Special Publication 800-150 can be used as a guideline to help the organization to establish information sharing goals, identify cyber threat information sources, engage with existing sharing communities, etc.	Accepted. ICAO is already participating in the UN cyber threat network as well as civil aviation threat intelligence.	<p><b>Update as of 31 January 2019:</b> Q3/2019 (risk management)</p> <p>In the vulnerability management framework and program, from the operational security part of the InfoSec strategy, threat intel does take its place (see ICAO InfoSec strategy 2019 presentation to FSMG).</p> <p>ICAO is also member of the Aviation Information Sharing and Analysis Centre (A-ISAC). A-ISAC allows information sharing, gathering and help requests. ICAO commits to participate to meeting the A-ISAC network.</p> <p><b>Update as of 31 January 2020:</b></p>	Closed

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			<p>The Administrative Instruction IS-AI-014 Vulnerability Management 1.0 (A.12.6.1) has been presented to the ISMG and accepted, as part of the five administrative instructions to be submitted to OSG for approval.</p> <p>On the threat sharing, ICAO is part of the A-ISAC and actively participated into the sharing &amp; discussion with A-ISAC (Dallas meeting on 2019-02-19, monthly team meetings, A-ISAC emergency call with DHS on 2020-01-14)</p> <p>InfoSec is following also closely the Canadian Cyber Centre for the threat sharing (incident of 2019-04-02).</p> <p>Request for closure.</p>	
<b>Rec. 4/2016</b>	We consider that the asset management framework needs further improvement; therefore, we <u>recommend</u> that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ICAO Bureaus and Regional offices.	Continuous efforts will be undertaken to further improve the accuracy of the asset register. While a comprehensive inventory count and assessment is performed on a regular basis, the Organization does not have the resources to centrally and continuously monitor the status and level of utilization of all assets. In addition to the regular inventory count, ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.	<p>As mentioned above, with the implementation of the Asset Relocation Sheet, we will now have a daily assessment and record of all asset movements and assignments.</p> <p>The Asset Transfer Relocation form has been implemented and used from April 2017. Bureaus and Offices are using this form and submitting to ADB/PCU accordingly.</p> <p>ADB considers this recommendation to be closed.</p> <p><b>Update as of 31 January 2019:</b> ADB considers this recommendation to be closed.</p> <p><b>Update as of 31 January 2020:</b> ADB considers this recommendation to be closed.</p>	Due to the SARS pandemic, we should suspend in this case our assessment, especially because we could have carried out no sufficient extensive testing on the spot, to be able to close this recommendation. Therefore, we leave this recommendation open to our successors.
<b>Rec. 5/2016</b>	We <u>recommend</u> that the Asset management of IT tools Assets will be further implemented as soon as possible according to Recommendation n. 4 and, in particular, that portable devices i) are carefully monitored in all their useful technical life, and ii) are	Recommendation accepted. ICT already implemented an IT asset management system as part of the deployment of a standard ITIL management system. ICT has been keeping a record of all IT assets acquired in HQ since 2014. This system will be	An Excel form has been implemented by PCU since 2015 and is being used in data by HQ and Regional Offices. It is confirmed that PCU and ETS have already implemented this recommendation in HQ and Regional Offices for IT and non-IT assets.	Due to the SARS pandemic, we should suspend in this case our assessment, especially because we could have



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	assigned only after a "recognition of need" (prepared according a specific procedure). This, in order to avoid that these devices, although still serviceable, are written off, or left unused, while continuing to buy similar devices.	expanded to record IT assets acquired before 2014, and it will also be deployed to the Regional Offices. Users are required to submit a form in support of the acquisition of IT assets which will be added to the IT assets database.	ADB considers this recommendation as closed. <b>Update as of 31 January 2019:</b> ADB considers this recommendation to be closed. <b>Update as of 31 January 2020:</b> ADB considers this recommendation to be closed.	carried out no sufficient extensive testing on the spot, to be able to close this recommendation. Therefore, we leave this recommendation open to our successors.
<b>Rec. 1 audit report on recruitment</b>	We acknowledge that the recruitment process is well documented in several HR policy instruments (such as Staff Regulation, Staff rules, Memoranda etc.). Guidelines are in place, however, we <u>recommend</u> that Management prepare a comprehensive guide, which summarises all the Rules, Regulations, IOM, Circulars, etc. present in ICAO.	An administrative instruction consolidating all existing documentation/procedures on recruitment and staffing will be developed.	<b>Update as of March 2018:</b> Ongoing; to be delivered by September 2018 as per the HR operational plan. Due to operational reasons and resource constraints, the deadline was moved from 2017 to 2018.  <b>Update as of 31 January 2019:</b> A draft administrative instruction on recruitment is being developed and will be finalized in March 2019. Following the internal review process, the administrative instruction will be implemented by 30 June 2019.  <b>Update as of 31 January 2020:</b> A draft administrative instruction on recruitment was prepared in 2019. However, its finalization and implementation are linked to the implementation of the UN-INSPIRA talent management system, which had been planned for 2019 but it has been moved to 2020. The administrative instruction will be revised to align with INSPIRA requirements and finalized in 2020, together with relevant manuals on the INSPIRA system which will be delivered around October 2020 by the UN Office of Information and Communications Technology.	Ongoing
<b>Rec. 1/2015</b>	<u>We recommend</u> that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.	The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks	The recommendation is implemented. Every time a letter is sent out changing signatures, a confirmation form to be completed by the bank is attached.  <b>Update as of end March 2018:</b>	Closed

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		respond to our request.	<p>Every time a signature change letter is sent out we attach our acknowledgement form. Although we insist to the bank that they complete the form, we have no control over them and their own internal procedures. A "signatory list" as we know it will soon be a thing of the past. Due to increased cyber security, banks are moving away from the traditional list, which can be easily manipulated, to more robust security measures which include RSA tokens for all users, uploading of a list of approvers to a secure web site with the assistance of a bank contact and new bank documentation where we complete a secure form that they control. We are already working with the Royal Bank of Canada (RBC) on some of these new procedures.</p> <p>Some banks have also indicated that they will not disclose our signature list for security reasons even if it is an audit request. Things have changed dramatically as the banks are receiving hundreds of fraudulent attempts daily.</p> <p>In the meantime, we will continue to send out our acknowledgement form and push the banks to reply properly to us and to the auditors.</p> <p><b>Update as of 31 January 2019:</b> Banks do not require a list of signatories as in the past they have implemented new security measures which we have adopted (e.g. token, passcode, etc.). All banks require two-factor authentication which we also have implemented.</p> <p><b>Update as of 31 January 2020:</b> In addition to the comments above, a communication was sent to all TC field accounts in 2019 asking the banks to confirm the signatories on record to ensure that they complied with the approved ICAO list. So far, out of 11 projects with imprest accounts, we have received bank signatories' confirmation from 9</p>	

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			projects. Treasury unit has been making great efforts to close imprest accounts provided alternative methods of payments are satisfactory.	
<b>Rec. 2/2015</b>	In consideration of the above-mentioned issues, we <u>recommend</u> that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.	The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.	<p>Management reached out to the Legal Affairs and External Relations Bureau for an opinion on how to better regulate the ECAC/EUR-NAT operational banking activities. It appears that the most efficient solution in the short term is to explore if ECAC's governing council can adopt a resolution under which ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.</p> <p><b>Update as of end March 2018:</b> LEB and Procurement are in the process to get a formal legal commitment from AIG (insurer) to make sure the current Crime policy covers ECAC staff. And LEB is also requesting ECAC member States to issue a resolution to confirm that they "agree to indemnify ICAO for any loss that ICAO may suffer as a result of an act or omission of an ECAC Official." The documentation has been drawn up, and this resolution will be sought once the insurer has formally confirmed the insurance coverage issue.</p> <p><b>Update as of 31 January 2019:</b> The Directors General, members of the ECAC Coordinating Committee, were informed in November 2018 of the non-inclusion of ECAC staff in ICAO's insurance, and have expressed the need for ECAC to get an anti-fraud insurance coverage before signing the exchange of letters, as proposed by LEB. ECAC has subsequently obtained the requested insurance policy, and after its signing, ECAC will work with LEB to finalize/sign the exchange of letters.</p>	Closed

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			<p><b>Update as of 31 January 2020:</b> On 5 February 2019 ECAC informed LEB that the ECAC President had signed a new insurance policy contract on 1 January 2019 which covers acts by ECAC staff including operations related to the ECAC bank accounts. Following discussions on the wording of an exchange of letters to provide an indemnity and hold harmless commitment by ECAC Member States, the President of ECAC wrote to the Secretary General on 9 May 2019 formally making the commitment. In a letter dated 8 August 2019 the Secretary General formally accepted the ECAC indemnity and hold harmless commitment. LEB considers this recommendation to be closed.</p>	
<p><b>Rec. 1</b> <b>Report on Audit of ASHI</b></p>	<p>We recommend to Management to consider a modulation of the incidence of the cost of the ASHI scheme, following the solidarity principle, according to the level of gross salary/pension earned, given that in the current ASHI scheme, “premium” is not proportional to the size of the salary/pension.</p>	<p>Management will develop a scenario where the retiree's share of the related premiums for medical benefits is proportional to their pension.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS and FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it.</p> <p>A Working Group has been established by the United Nations to review ASHI with respect to the UN common system organisations and to make recommendations to the UN GA. While considering the recommendation, ICAO being a part of the UN common system will be guided by the recommendations and decisions of the UNGA on this matter. The ASHI Working Group is expected to present its report to the UNGA in due course. (Management considers this recommendation as closed).</p>	<p>Ongoing. See this report</p>

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			<p><b>Update as of 31 January 2019:</b> The final report dated December 2018 of the UN Secretary-General on Managing ASHI, which was prepared at the request of the UNGA indicated once again that scenarios with a reduced share of the premiums apportioned to the organizations are not to be explored and to continue to maintain at existing ratios the apportionment of health insurance premiums between the organization and both active and retired staff members covered under United Nations health insurance plans.</p> <p><b>Update as of 31 January 2020:</b> Position not changed, Management considers this recommendation as closed. ICAO will continue to monitor UN's decision and will consider submitting funding options to the Council in the future.</p>	
<p><b>Rec. 2</b></p> <p><b>Report on Audit of ASHI</b></p>	<p>We recommend to Management to consider also a threshold to the ICAO contribution to the ASHI scheme levelled on granting similar benefit of a reference State (for example RAMQ) but limited, in terms of risk, to the country where the pensioner is resident.</p>	<p>Management will consider a proposal where the excess cost of the premium attributable to worldwide coverage compared to national coverage is borne by the retirees. Where no national coverage exists, a premium similar to the one in Head Quarter (Class 2) will be used as reference.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) and (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. C-DEC 208/11 paragraphs 30-34 refer.</p> <p>The recommendation is subject to the outcome of the ASHI Working Group of the UN Common system organisations and the decision of the UN GA.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing.</p> <p>See this report</p>

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			<p><b>Update as of 31 January 2019:</b> The final report dated December 2018 of the UN Secretary-General on Managing ASHI, as stated above mentioned that scenarios with a reduced share of the premiums apportioned to the organizations, with the objective to transfer the organization's ASHI obligation to active and retired staff members are not to be explored and to continue to maintain at existing ratios the apportionment of health insurance premiums between the organization and both active and retired staff members covered under United Nations health insurance plans. The UN Secretary-General considers that control of the ASHI obligation is better achieved through its funding and other cost containment measures rather than through the transfer of liability implicitly.</p> <p><b>Update as of 31 January 2020:</b> Position not changed, Management considers this recommendation as closed. ICAO will continue to monitor UN's decision and will consider submitting funding options to the Council in the future.</p>	
<p><b>Rec. 3</b></p> <p><b>Report on Audit of ASHI</b></p>	<p>After having re-modulated the ASHI scheme following the previous recommendations, <u>we recommend</u> that Management study a targeted opt-out incentive, assessing at the same time its cost-benefit against the ASHI "premium" paid by ICAO, evaluating also any possible negative impact on the ASHI scheme, when retirees decide to opt-out.</p>	<p>Once the previous modifications are implemented, Management will study targeted opt-out incentives.</p>	<p>The previous recommendations regarding the reduction in the ASHI benefits had been met with strong opposition from the ICAO staff Association and retirees' representatives (CAFICS) as it impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that would remain unchanged in the future. This was presented to the Council which endorsed it. The opt-out option as the most impactful option studied by the actuaries was presented by FIN to the Life and Health Insurance Committee which includes members of Staff Association and CAFICS to explain the</p>	<p>Ongoing.</p> <p>See this report</p>

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			<p>benefits/drawbacks of the opt-out option in order to initiate discussion and consultation with staff and retirees at large. We also assisted Human Resources (HR) in developing a monkey survey on the opt-out option to survey staff and retirees on the possibility to accept or not this offer. HR is advocating a discussion with Health Committee and other sister UN agencies before this is rolled out.</p> <p><b>Update as of end March 2018:</b></p> <p>This matter is currently under discussion with the ICAO Health and Life Insurance Committee (HLIC), with stakeholders' representation. Once the analysis is concluded, a study on the impact will be conducted.</p> <p><b>Update as of 31 January 2019:</b></p> <p>A survey on the opt-out option has been conducted by ICAO to assess all staff and retirees' positions regarding the acceptance of this option. The survey was completed and its outcome is to maintain the coverage under the Medical Benefit Plan since the vast majority of ICAO's staff and retirees did not express an interest in pursuing the opt-out option. As a consequence, the opt-out option will not be pursued by the Organization at this juncture.</p> <p><b>Update as of 31 January 2020:</b></p> <p>Position not changed. Management considers this recommendation as closed.</p>	
<b>Rec. 2/2014</b>	As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.	Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.	<p>FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.</p> <p><b>Update as of end March 2018:</b></p> <p>FIN presented the following options for funding ASHI liability at the 205th and 207th Session of the Council:</p> <p>a) increasing the mandatory age of separation immediately from 62 years to 65 years (cost</p>	Partially implemented by Management

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			<p>containment strategy);</p> <p>b) implementation of a monthly payroll charge of 2 per cent on the gross salary of all active staff (funding strategy);</p> <p>c) offering incentives to retirees to opt out of the ASHI plan and take up nationally-sponsored healthcare options instead by providing annual annuities of either CAD 2 000 or CAD 2 500, indexed to the Canadian Consumer Price Index (CPI), in addition to reimbursement of the premium for the nationally-sponsored healthcare options (cost containment strategy);</p> <p>The Secretariat continues to follow actively the developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. (Management considers this recommendation as closed)</p> <p><b>Update as of 31 January 2019:</b> The ICAO's Secretariat continue to follow up on the developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. The final report of the UN Secretary General on this issue considers that control of the ASHI obligation is better achieved through its funding and other cost containment measures such as UN system negotiations with third party administrator, etc. rather than through the ASHI premium apportionment.</p> <p><b>Update as of 31 January 2020:</b> Position not changed. Management considers this recommendation as closed.</p>	



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

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 audit report on ethics framework	The JIU, with the Recommendation n. 1 of its report 2010/3 (Ethics in United Nations), recommended that “ <i>The legislative bodies of the smaller organizations should direct their respective executive heads to put forward proposals for providing the ethics function through either a joint ethics office established by a group of organizations on a cost-sharing basis or in-sourcing to the ethics office of another organization on a cost-sharing/cost-recovery basis</i> ”. Considering JIU's recommendation, since the confidence in the Ethics Framework might decrease, as an example, from the point of view of a whistle-blower, if the EO's role is covered, even <i>pro-tempore</i> , by a former member of the ICAO who may have been involved in past disputes with colleagues, <u>we</u> also <u>suggest</u> that, in order to enhance the level of confidence in the Ethics framework, the Secretary General might consider alternative options to the internal solution, such as assigning a <i>pro-tempore</i> , even part-time, position to an active EO working in another Agency or selecting one EO from the UN roster.	The suggestion is subjective and not supported by factual evidence. The ethics function is critical for maintaining high standards of integrity, respect and accountability within the Organization, and the Secretary General's decision to appoint an acting Ethics Officer was intended to avoid disruption and ensure continuity in the delivery of the ethics function in the best interests of the Organization. The suggestion to have the ethics function externally staffed even in an interim period is inconsistent with common UN practice. Further, the suggestion that an Ethics Officer should be engaged from another Agency on a part time basis is unworkable since the functions and duties of the ICAO Ethics Officer are remarkably broader and different from the functions typically performed by Ethics Officers in the UN and other Specialized Agencies.	<b>Update as of 31 January 2020:</b> This suggestion is not accepted.  <b>Update as of 14 October 2020</b>  The recommendation of the External Auditors was superseded by the recruitment of an external Ethics Officer who assumed his duties in September 2020	N/A	Closed

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<b>Sugg. 1/2018</b>	Therefore, <u>we suggest</u> incorporating the current procurement procedures into a Procurement Procedures Manual as foreseen by article 1.3 of the ICAO Procurement Code.	The suggestion is accepted. The current detailed procurement procedures indeed identify all procedural requirements to carry out the procurement function and comply with the ICAO Procurement Code. They are currently catalogued under the ISO 9001:2015 structure and will be linked to the ICAO Procurement Code and collated to form a manual.	<b>Update as of 31 January 2020:</b>  On-going as this must be developed within the framework of a new Procurement Code. Only when a new procurement code is developed can a cross-reference to a manual be developed.	TCB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 4/2017	We suggest a review of the actual adequacy of Staff resources in the operating units more affected by overtime work and to also establish whether the current overtime cap needs to be adjusted.	Due consideration will be given to the suggestion having regard to the best interest of the Organisation.	<p><b>Update as of 31 January 2019:</b></p> <p>ADB/POD is reviewing the patterns on overtime with a view to proposing a revision to the current staff rule and related procedures. As this will entail an in-depth study to determine patterns and the need to potential introduce new working arrangements such as shift work, and not only adjustments to the current conditions on overtime, it is requested that the deadline for this work be extended from 31 March 2019 to 30 June 2019.</p> <p><b>Update as of 31 January 2020:</b></p> <p>In order to finalize a review of overtime, ADB/POD first needed to evaluate ICAO's standard working arrangements, as this will impact accrual of overtime. A full study has been carried out proposing modifications to existing working hours and official holidays, as well as to introduce flexible working arrangements such as compressed work weeks, staggered hours, flexi-time etc. Once this policy has been finalized, it will be possible to assess whether this resolves some of the issues associated with overtime work and to determine the remaining need to revise staff rule on overtime and associated personnel instructions. As an interim measure the overall cap of 12 hours of paid overtime a month has been increased to 20 hours per month up to a maximum of 100 hours per year as of 1 January 2020.</p>	ADB	Ongoing

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Sugg. 1 audit report on external parties agreements	<p>Considering that, at the time of our audit, CCEP was monitoring the efficiency of its activity through detailed statistics, <u>we suggest</u> Management to consider, in the development of its Partnership framework and procedures, the cost-benefit to include statistics on efficiency at level of Initiators (as defined in point 1.1.c of the AI). For instance, it would be important to understand <i>how many</i> working days secretariat staff are needed to prepare MoUs and similar Arrangements and if they have been efficiently coordinated by the Initiator. Further, it might be important to highlight that, having these statistics, would provide a means to assess effectiveness of the process: reliable statistical data might provide to CCEP and Secretariat, possibly jointly, the chance to undertake corrective actions, also on how to efficiently and effectively divide the workload amongst them.</p>	<p><b><i>Suggestion <u>not accepted</u> with the following comments.</i></b></p> <p>The time required to prepare and finalize memoranda of understanding varies with the complexity of each individual case, and whether terms and conditions were easily agreed with the counterparty, etc. This could be anywhere from two days to two weeks. However, once basic terms and conditions are agreed upon, normally internal mechanisms (e.g. inter-Bureau coordination including LEB review) prior to reaching CCEP would take about one week.</p> <p>Relevant offices are always coordinated per paragraph 4.2 a) of the Policy, and the time and resources involved are no different than with other matters that require inter-Bureau coordination.</p> <p>In light of the above, and to facilitate conclusion of agreements, the Secretariat has developed template agreements for various categories of partnerships. The use of such templates expedites the process with the external counterparty, and in certain conditions are exempted from the CCEP review process.</p>	<p><b>Update as of 31 January 2019:</b> This suggestion is not accepted.</p> <p><b>Update as of 31 January 2020:</b> This suggestion is not accepted.</p>	N/A	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 1 special report on cyber security</b>	Considering the core business of the organization, <u>we suggest</u> that Management consider the Framework for Improving Critical Infrastructure Cybersecurity released by NIST. It is worthwhile mentioning that this document is still in draft, however, in our opinion, it has important insights about the mentioned themes.	Suggestion accepted, will be considered.	<p><b>Update as of 31 January 2019:</b></p> <p>Q4/2020 (ISMS phase I, org and operational security)</p> <p>See Rec. 5 special report on cyber security. While the ISMS (based on ISO 27001:2013) is part of the organizational security, we use NIST CSF as the standard for the operational security. The combined organizational and operational security use a capability maturity level model and recurrent assessments to acquire maturity (see ICAO InfoSec strategy 2019 presentation to FSMG and milestones).</p> <p><b>Update as of 31 January 2020:</b></p> <p>See Rec. 5 special report on cyber security.</p>	ADB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 2/2016</b>	Following also what stated in our recommendation n.6 above, <u>we suggest</u> i) that asset management related to disposal might be further enhanced in particular through an assessment if an asset could be used further beyond the “estimated” life cycle when the depreciation ends and ii) to consider, subject to a cost/benefit evaluation, the possibility of exchanging assets between Departments and Regional offices, before deciding to buy a new item.	<p>Suggestion partially accepted. As per policy, the life cycle is still the main indicator of asset value and eligibility to be written off. However in practice, items that are still serviceable are utilized until they are unserviceable.</p> <p>A cost/benefit evaluation has been performed and has determined that transfer of items between the eight RO's and HQ would not be cost effective to the organisation as a result of costs, regional needs, data safety issues and transportation requirements.</p>	<p>The asset life extension project is now being reviewed by PCU and ICT so as to better judge feasibility, practicality and cost effectiveness of this policy change.</p> <p><b>Update as of 31 January 2019:</b> As with the extended life cycle of Non ICT equipment at ICAO HQ for 2018, a pilot project In cooperation with ETS for IT equipment will be implemented in 2019 as per Audit recommendation in March 2018.</p> <p><b>Update as of 31 January 2020:</b> As with the extended life cycle of Non ICT equipment at ICAO HQ for 2018, a pilot project in cooperation with ETS for IT equipment will be implemented in 2019 as per audit recommendation in March 2018.</p>	ADB	Due to the SARS pandemic, we should suspend in this case our assessment, especially because we could have carried out no sufficient extensive testing on the spot, to be able to close this recommendation. Therefore, we leave this suggestion open to our successors.

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<b>Sugg. 5/2016</b>	<u>We</u> therefore <u>suggest</u> that ICAO should explore the possibility and the cost-benefit of having different technical consultants for the different stages of the procurement process.	Noted. ICAO will study the possibility on a case by case basis.	On-going <b>Update as of 31 January 2019:</b> Nothing to add. <b>Update as of 31 January 2020:</b> Procurement has already provided instructions that the expert developing the requirements should not be the same expert carrying out the evaluation. However as part of a revision to the procurement code and since the technical unit developing requirements and evaluating will be segregated, procurement is assessing to develop an evaluation committee rather than having one expert. Expected Outcome will form part of a revised procurement code.	TCB	Ongoing
<b>Sugg. 6/2016</b>	Since this extension would require additional resources, which are currently not available at HQ Payroll and cannot be charged to the field projects as a direct expense, <u>we suggest</u> that an agreement be sought with the TCB to finance this service in an alternative manner.	An agreement between TCB and the Regular Budget needs to be sought for additional resources in the Payroll Office and in Treasury in order to deliver the service to all field staff. However, TCB should develop a methodology that would pass on the cost of the additional recourse fairly to all TC projects. Any solution whereby the cost is absorbed by the AOSC Fund would be unacceptable. We are also concerned that the solution is not scalable because the cost of the additional resources would be fixed in the short-term. However, the UNDP solution presents a scalable option.	No agreement has been sought to-date as status quo has been maintained. <b>Update as of 31 January 2019:</b> No change in status. Unless TCB offers to fund this service, FIN cannot deliver. <b>Update as of 31 January 2020:</b> No change in status.	TCB/FIN	Closed

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Sugg. 8/2016	With a view to simplification, <u>we suggest</u> , for the next triennium, assessing the cost-benefit of attributing all the expenses and revenues directly to the regular programme, instead of maintaining the ARGF as a separate instrument for managing revenue-generating activities and contributing to the regular budget.	This is a wider policy decision that needs to be taken by the Council and the Assembly. Putting market-dependent activities within the strict confines of the Regular Budget which is fixed by assembly resolution to a pre-determined number has serious limitations. We will examine the pros and cons of this proposal.	<p><b>Update as of 31 January 2019:</b> The ARGF will continue to be a separate instrument in 2017-2018-2019 triennium (and the next) as it was since 2008.</p> <p>Based on the A39 resolution, the ARGF budget is based on mandatory contributions. Considering that the nature of ARGF budget planning is different, it is not recommended to consider ICAO's special funds including TCB and ARGF as part of regular programme budget.</p> <p><b>Update as of 31 January 2020:</b> The ICAO Council members, and in particular the Finance Committee, considered in detail the role of the ARGF in the 2020-2022 Triennium Budget. A series of informal meetings with Council Members as well as regular Committee and Council sessions were held in 2018 and 2019. The costs and benefits of the ARGF in the context of the Regular Budget was discussed at length. In particular, issues such as staffing, revenue generation using the intellectual property (IP) for products, services and training were considered. The idea of integrating the ARGF into the Regular Programme was not supported during this process. This item should be considered actioned and closed.</p>	ADB/FIN	Closed



N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 2 audit report on recruitment</b>	We suggest that HR Management explore the possibility (cost-benefit) of being assisted by external independent experts either for defining specific eligibility criteria for technical positions, prior to the issuing of the vacancy note either for determining in advance specific evaluation grid for assessing candidates, and also, if necessary, to select the most appropriate candidate for a technical post.	ICAO takes note of the suggestion and will explore the cost-benefit of using independent external experts whenever necessary and feasible. The practical approach would be to increase the use of standard/generic job descriptions which will be developed using internal expertise and/or external independent experts if so required. This is consistent with the practices of other UN system organizations, and will enable the Organization to establish evaluation criteria for positions in advance, and reduce subjectivity by the hiring Bureau/Office.	<p><b>Update as of March 2018:</b></p> <p>ICAO hired an experienced job classification expert at the end of 2017, in order to develop standard job descriptions for technical posts both at Headquarters and in the Regional Offices. We plan to have standard job descriptions for 90% of technical post in the Regional Offices and at HQ, by the end of 2018.</p> <p><b>Update as of 31 January 2019:</b></p> <p>This item has been delayed due to the fact that the only classification officer at ICAO has been out on sick leave for an extended period of time. The staff member has resumed work recently on a part-time basis; so it is expected that this item can be implemented by end of 2019.</p> <p><b>Update as of 31 January 2020:</b></p> <p>An external consultant has been hired in order to assist with finalization of standard job descriptions for technical aviation posts both at Headquarters and in the Regional Offices, by the end of 2020.</p>	ADB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
<b>Sugg. 3 audit report on recruitment</b>	Further to the Decision of the Council where “a maximum time frame of 12 months for the completion of the recruitment process for all posts, from the date of the issuance of the vacancy notice to the appointment decision” should be respected, <u>we suggest</u> to HR Management, in order to understand the efficiency and effectiveness of the process, to monitor all the time, since the request of a post issued by a Unit, and, in this way, every office will be accountable for the timing needed for the recruitment process.	The standard practice in the UN is to monitor recruitment timeliness from the date of vacancy advertisement until the date of selection decision. Nevertheless, ICAO HR already captures and monitors most of the steps of the recruitment process, starting from the date of receipt of the request from the hiring unit to the date of advertisement of the post. ICAO is currently implementing an accountability framework for recruitment timelines, detailing role/responsibilities of all parties, as well as a new IT tool to further enhance the management and monitoring of recruitment timelines. When fully implemented, these initiatives will provide the Organization with an opportunity to strengthen the monitoring and management of recruitment timelines from the initial request of the hiring unit to the appointment decision.	<p><b>Update as of March 2018:</b></p> <p>An accountability framework for recruitment timelines, detailing roles/responsibilities of all parties, has been developed (attached). A new IT tool to manage recruitment processes is still under development. The new revised timeline for IT is end of 2018.</p> <p><b>Update as of 31 January 2019:</b></p> <p>The guidelines on recruitment timelines, detailing roles/responsibilities of all parties, were developed in 2018. These guidelines will be revised as part of the new administrative instructions on recruitment to be finalized in the 1st half of 2019.</p> <p>On the IT recruitment tool, a cost-benefit analysis is currently being prepared by ADB/IAS for approval by the SG, with implementation by December 2020.</p> <p><b>Update as of 31 January 2020:</b></p> <p>On the IT recruitment tool, we are currently working with the UN Secretariat to implement the INSPIRA talent management system by October 2020. This tool will give us the ability to monitor and report on the main steps of the recruitment process as per the audit recommendation.</p>	ADB	Ongoing

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<b>Sugg. 5/2014</b>	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	<p><b>Update as of end March 2018:</b> Digitization of medical records of staff is ongoing, and further assessment will be undertaken on digitizing staff files, bearing in mind financial, IT and staff resources.</p> <p><b>Update as of 31 January 2019:</b> ICAO has engaged a consultant to assist in the organising of the medical files for easy digitisation. This is an ongoing activity.</p> <p><b>Update as of 31 January 2020:</b> Digitization of medical files is an on-going activity and will probably take several years to complete. Unfortunately, the initiative has not been a major priority at the moment, considering the lack of IT, HR and financial resources for this.</p>	ADB	Ongoing

### ANNEX 3 – list of the “To the Council’s attention” in our previous reports

Report	Recommendation raised by the Corte dei conti
<b>N. 1 audit report on ethics framework</b>	We agree with the views of OIOS and EAAC and with their recommendations, however <u>we draw the Council’s attention</u> to the fact that the decision to outsource the investigation function and/or the protection of whistle-blowers should bring to a re-designed Ethics Framework, with a different role for the Ethics Officer, more tailored to its proper tasks; in addition, outsourcing might result in the necessity to have a tailored Service Code and related legal framework with strengthened rules and specific operating procedures, more in line with common UN practices.
<b>N. 2 audit report on ethics framework</b>	When a re-designed ethical framework model is submitted for approval, <u>we draw the Council’s attention</u> to the fact that the reform should be driven by some key elements, such as technical expertise, independence and confidentiality of information; the decision to outsource part of the Ethics function should consider not only <i>if</i> and <i>how</i> the oversight should be accomplished, specifically considering the role of EAAC. Furthermore, attention should be paid to redefining the role and functions of the EAO and the IC. The latter might have, in this case, a different composition.
<b>N. 3 audit report on ethics framework</b>	When a re-designed Ethics framework model is submitted by Management for approval, <u>we draw the Council’s attention</u> to the fact that the reform should clarify how the President of the Council and Council Members should be subject to the Service Code, or, on the contrary, <i>how, if and to what extent</i> , they could be involved in the oversight of the effectiveness and efficiency of the Ethics Framework.
<b>N. 4 audit report on ethics framework</b>	When a re-designed model of Ethics Framework is submitted for approval, considering, in accordance with our previous considerations, that it might be more effective to outsource only specific categories of investigations, <u>we draw the Council’s attention</u> to the fact that a new legal framework should pay particular attention on avoiding overlap of investigations, with the distinction of the respective roles of the Secretary General and of the external investigator. This element should be considered specifically in the cost-benefit assessment of a new Ethics framework.
<b>N. 5 audit report on ethics framework</b>	The Council has created an Investigation Committee, composed of three Members, including the Ethics Officer; in view of the fact that EO is tasked to ensure an independent <i>prima facie</i> assessment before submitting a decision to the IC, <u>we draw the Council’s attention</u> that the participation of the EO in the IC might generate a potential conflict of interests; therefore, in our opinion the membership of the IC should be reconsidered as soon as possible.
<b>N. 6 audit report on ethics framework</b>	Furthermore, <u>we draw the Council’s attention</u> to urge the Secretariat to set out how to timely apply sanctions to staff recognized as guilty. In our opinion, the mentioned provision is immediately needed, even before a new comprehensive re-designed model of ethics framework is developed (see also Recommendation n. 8).
<b>Audit report on external parties agreements</b>	It is worthwhile mentioning that since the first EAO’s Evaluation Report (EVA/2015/1) we observed continuous progress in the process management related to third parties’ agreement and we welcome the revised Policy approved by the Council and the efforts currently

Report	Recommendation raised by the Corte dei conti
	<p>undergoing by Management and CCEP for implementing it. One of the aims of our performance report is also to provide an added value to the process.</p> <p>Also in the light of the above mentioned recommendations and suggestions, considering the role of CCEP as a strategic oversight function, and taking into consideration previous EAO evaluation reports and recommendations and the Secretariat's full acceptance of the recommendations with plans in developing a comprehensive Partnership Framework and procedures, <b><u>we draw the Council's attention</u></b> on the importance to ensure the role of CCEP as an active and integral part of the whole process, assuring an effective flow of timely and transparent information, gathered through an independent monitoring, carried out by different Bureau/Offices at HQ and Regional level, and through an enhanced control of the repository, jointly with the Secretariat, allowing Council members to have access to adequate information and files on any external parties' agreements, if necessary, before the signature of the Agreement.</p>
<b>Audit report on FS 2015</b>	<p>However, on the basis of the full actuarial study commissioned by Management in 2015, <u>we draw the Council's attention</u> to the fact that although some measures present a significant impact in terms of reducing the ASHI's liabilities in the short and mid-term, the measures mentioned in paragraph 53 are not expected to have a big effect in a long-term scenario.</p>
<b>N. 1 Audit report on FS 2014</b>	<p>Being not possible to directly compare the actuarial liabilities of ICAO with those of other Agencies, as stated above, <u>we draw the Council's attention</u> to the fact that it is difficult to undertake a direct comparative analysis between the ICAO underfunding and the one of other UN Agencies.</p>
<b>N. 2 Audit report on FS 2014</b>	<p><u>We draw the Council attention</u>, to consider the first three drivers mentioned in paragraph 52 and how these drivers will influence the result of the "full actuarial study"; this study would provide information to the Council on which scenario will be the most suitable for ensuring the financial health of the ASHI and for affecting to minimum extent possible the core activity of the Agency. (See also Recommendation n. 2 in this regard).</p>