



## CORTE DEI CONTI

### LA SEZIONE DI CONTROLLO PER GLI AFFARI COMUNITARI ED INTERNAZIONALI

Composta dai Magistrati:

Dott.	Giovanni	COPPOLA	Presidente
Dott.	Giancarlo	DI LECCE	Consigliere
Dott.	Carlo	MANCINELLI	Consigliere
Dott.	Gian Luca	CALVI	Consigliere
Dott.	Ilio	CICERI	Consigliere

Nell'Adunanza del 29 marzo 2023

Visto il mandato di *external auditor* dell'*International Centre for Genetic Engineering and Biotechnology (ICGEB)* rinnovato alla Corte dei conti per gli anni 2020-2022 *dal Board of Governors dell'ICGEB* nella sua XXVI Sessione, svoltasi il 18-19 Novembre 2020;

Visti i principi INTOSAI;

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

Visti i *Financial Statements* dell'ICGEB per l'anno finanziario 2022 trasmessi in data 17 marzo 2023 e avendo ricevuto i commenti da parte del Direttore Generale in data 24 marzo 2023;

Udito il relatore Presidente di Sezione Giovanni Coppola ed esaminati e discussi su sua proposta l'*audit certificate* e il *report* relativi all'*Audit of the Financial Statements at 31.12.2022 - ICGEB*;

**DELIBERA**

di approvare l'*audit certificate* e il *report* relativi all'*Audit of the Financial Statements at 31.12.2022 - ICGEB*;

**DISPONE**

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

IL PRESIDENTE RELATORE

Giovanni Coppola  
f.to digitalmente

Depositata in Segreteria

Il Dirigente  
Maria Pia Gubbiotti  
f.to digitalmente



Annex: audit certificate signed.  
Click on the icon.



*Corte dei conti*

## **REPORT OF THE EXTERNAL AUDITOR**

**INTERNATIONAL CENTRE  
FOR GENETIC ENGINEERING AND BIOTECHNOLOGY  
(ICGEB)**

**Audit of the Financial Statements for 2022**

**29 March 2023**



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## **INTRODUCTION**

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

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

The audit looked at the ICGEB Financial Statements as at 31 December 2022 and their consistency.

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

Financial Statements as at 31 December 2014 were United Nations System Accounting Standards (UNSAS) compliant.

Between the end of 2014 and throughout the year 2016, ICGEB experienced a complex transitional phase moving from UNSAS to IPSAS Standards.

In the year 2016, the combined effect of the implementation of our previous years' recommendations and some adjustment required by the IT tool up to then used for accounting (Metodo) led to a new restatement of the values at 31.12.2015 (and 1.1.2016). Therefore, the Management assessed that a new IT accounting software was needed for a better answering to the challenges of an International Organization and a new software (SAP), where all the accounting data were migrated, was acquired and went live in mid-2018 for the Trieste and the Cape Town Component and in 2019 for the New Delhi Component.

We audited the accounts for the Financial Year 2022, according to the INTOSAI standards, the IPSAS regime and according to the Financial Regulations of the ICGEB (May 2015 edition) and the Additional Terms of reference, which are an integral part of the ICGEB Financial Regulations.

We received the report and the finalized version of the Financial Statements on the 17<sup>th</sup> of March 2023.

The Letter of Representation referring to the Accounts for the Financial Year 2022, signed by the Director-General on the 17<sup>th</sup> of March 2023, was included in the Financial Statements and is an integral part of the audit documentation.

The declaration of "no fraud liability", signed by the Director-General on the 17<sup>th</sup> of March 2023, was added to the Financial Statements and is an integral part of the audit documentation.

We planned our activities in line with our audit strategy in order to obtain a reasonable assurance that the Financial Statements were free from material misstatement.

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

We performed limited testing on-the-spot in the Trieste Component and in the Cape Town Component (as a part, during our NFR Audit, as explained in the below paragraph) and we followed up our past recommendations, in order to arrive to a conclusion in relation to the accounts and disclosures in the Financial Statements, so obtaining a sufficient basis for the opinion given in the audit certificate.

During the audit, most of the questions and the matters under consideration were then discussed and clarified through meetings, emails' exchange and telephone calls with the officials responsible. The audit team, while informing in general terms the Director-General, Doctor Lawrence Banks, on the progress of the audit, had regular in-depth discussions with Ms. Maria Luisa Fichera, Chief Legal and Administration, and with members of her staff or staff in other Units.

Pursuant to § 9 of the Additional Terms of reference governing external audit, we received the comments by the Director-General for inclusion in this report on the 24<sup>th</sup> of March 2023 and we duly incorporated them in the report.

We highlighted the results of our audit activity as "Recommendations" and "Suggestions". "Recommendations" fall under the implementation process carried out by the Management directly, while, with regard to "Suggestions", their implementation by the Management is discretionary, unless the ICGEB Board of Governors asks the Director-General to implement them. In any case, where an issue is outside the Management's remit, we might draw the Board of Governors' attention to the matter.

We were asked by the ICGEB's Management to carry out a specific audit certification on grants of the South African National Research Foundation to researchers operating within the South Africa Component of ICGEB. We have carried out this audit on-the-spot and this audit certification, which is additional with regard to the audit mandate agreed upon between the ICGEB and the External Auditor, has been issued on the 7<sup>th</sup> of March 2023.

Finally, we wish to express our appreciation for the courtesy and helpfulness shown by all the ICGEB officials to whom we have requested information and documents.





*Corte dei conti*

## **AUDIT CERTIFICATE**

### **Opinion**

We audited the financial statements of the International Centre for Genetic Engineering and Biotechnology (ICGEB), which comprise the Statement of financial position as at 31 December 2022, the Statement of financial performance, the Statement of changes in net assets, the Table of cash flows and the comparison of budgeted amounts and actual amounts for the 2022 financial period, as well as Notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Centre for Genetic Engineering and Biotechnology (ICGEB) as at 31 December 2022, and its financial performance, its changes in net asset, its cash flows and its comparison of budgeted and actual amounts for the year then ended, in accordance with IPSAS and the Financial Regulations of the ICGEB.

### **Basis for Opinion**

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

## **Other Information**

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

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

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

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

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

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

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

## **Auditor’s Responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICGEB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICGEB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ICGEB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **Report on Other Legal and Regulatory Requirements**

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

In accordance with the ICGEB Financial Regulations (Article X) and with the Additional Terms of reference governing the audit (Annex 1 to these Financial Regulations), we

have also issued a detailed report on our audit of the ICGEB Financial Statements for 2022.

### **Other matters**

We underline the importance of further harmonizing the accounting and administrative procedures among the Components, strengthening also their adherence to the applicable standards and principles of the United Nations. While welcoming the efforts already made in the matter, we encourage the Management to further proceed in this direction.

Rome, March 29<sup>th</sup>, 2023

*Guido Carlino*  
*President of the Corte dei conti*  
(original digitally signed)

## **STRUCTURE OF THE FINANCIAL STATEMENTS**

1. The ICGEB Financial Statements prepared and presented in compliance with IPSAS 1 included the following elements:
  - Statement of financial position (Statement I) – Statement of Financial Position as at 31 December 2022 with comparative figures as at 31 December 2021, 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 2022, showing the Surplus/Deficit for the financial year.
  - Statement of Changes in Net Assets for the year ended 31 December 2022 (Statement III), showing the value of the Net assets including the surplus or deficit for the Financial Year.
  - Cash Flow (Statement IV), table of cash flows for the period closed on 31 December 2022, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investments and financing transactions and the treasury totals at the end of the Financial Year.
  - Comparison of Budget and Actual Amounts (Statement V) for the 2022 financial period.
  - Notes to the financial statements for the year 2022, providing information about accounting policies and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

## **IPSAS IMPLEMENTATION**

2. We audited the accounts for the Financial Year 2022, according to the INTOSAI standards, the IPSAS regime and according to the Financial Regulations of the ICGEB (May 2015 edition) and the Additional Terms of reference, which are an integral part of the ICGEB Financial Regulations.
3. We are aware of the efforts made by the Management in implementing the accounting system according to IPSAS. We thank the Management for providing us, in a very transparent way, with all the information needed for the certification process.
4. We have performed our mandate according to IPSAS rules and as laid down in article X of the Financial Regulations of the Organization and its Annexes, in particular the Regulation 10.5, where it is stated that “the E.A. may make observations with respect to the economy, efficiency and effectiveness of the

financial procedures, the accounting system, the internal financial controls and in general the administration and the management of the Centre”.

5. In this spirit we noticed with appreciation the launching by the ICGEB of the Strategic Plan for the years 2020-2030, which strengthened its linkage with the United Nations, aligning its activities to the Sustainable Development Goals of the UN Agenda 2030. We stated that we would follow the process of the implementation of the Plan, particularly with regard to the verification of the accountability of its funding and the performance of the related project.

## **STATEMENT OF FINANCIAL POSITION 2022**

### **ASSETS**

6. In accordance with IPSAS 1, Assets in the year 2022 were distinguished between “Current” and “Non-Current”; they amounted to 68,374.3 kEUR, a decrease in overall terms of 3,376.0 kEUR (-4,7%) as compared to the value recorded at 31.12.2021, which amounted to 71,750.3 kEUR. This decrease was mainly due to a decrease in (i) “Cash and Cash equivalents” (-3,392.1 kEUR), (ii) “Contributions receivable” (-4,734.6 kEUR), for the part related to “Current Assets”, and compensated by an increase of 2,665.8 kEUR in Investment and an increase of 3,250.0 kEUR in Property, Plant and Equipment for the part recorded as “Non-Current Assets”.
7. “Current Assets” (representing 77.1% of Total assets) consisted mainly of a) “Cash and Cash equivalents”, amounting to 25,118.9 kEUR, representing 36.7% of Total Assets; b) “Investments”, amounting to 6,307.6 kEUR, representing 9.2% of Total Assets; c) “Contribution receivables”, totalling 17,503.1 kEUR, representing 25.6% of Total Assets; d) “Other receivables”, amounting to 161.8 kEUR (0.2% of Total Assets); e) “Inventories”, totalling 207.1 kEUR (0.3% of Total Assets); f) “Other current assets”, totalling 3,359.6 kEUR, representing 4.9% of Total Assets. g) “Deferred/Accrued”, totalling 62.0 kEUR (0.1% of Total Assets). The basis for the evaluation of assets is set out in the Notes.

### **Cash and cash equivalent**

8. The heading “Cash and cash equivalent”, totalling 25,118.9 kEUR, decreased by 3,392.1 kEUR (-11.9%) as compared to 28,511.0 kEUR in 2021; it included Bank accounts in Trieste, New Delhi and Cape Town in EUR, USD, INR and RAND and cash on hand as at 31 December 2022. They represent around 36.7% of the Total Assets and they weight 47.6% of the Current Assets. A detailed breakdown of Cash and cash equivalents is shown in Note 2.

9. We asked all the banks with business relations with ICGEB to confirm the current account balances as at 31 December 2022. We verified that the account balances had been properly recorded in the accounts and we did not find any discrepancy. It is worthwhile mentioning that we did not receive the direct confirmation from two banks. This limited our work in this area, however the ICGEB's Management made all possible efforts to enable us to obtain this confirmation and provided us with supporting documents, which we used for our audit. In any case, for the above-mentioned reason we decided to maintain the recommendation 1/2017 as "ongoing" in the follow-up table (see annex I).
10. Management opened two accounts at two new banks in India in December 2022, and provided supporting documents for the opening and for the authorizing signatories in order to operate the accounts. We received the confirmation letters from these banks, where the balance as at 31.12.2022 was zero-out. We were informed that the purpose of this bank's account opening had been requested by the Indian Government for the management of externally funded projects.

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

11. During our analysis of the banks' confirmations, we checked if there were discrepancies between the signatories' lists received from the banks and the list kept at the Headquarters and we did not find any discrepancy. It has also to be mentioned that having not received the confirmation from two banks (see above), we were not able to make the verification concerning the related accounts.

#### **Investments**

12. The heading "Investments", totalling 6,307.6 kEUR at 31.12.2022, representing 9.2% of total Assets (3,641.8 kEUR at 31.12.2021), has been classified into "Current Assets" according to maturity; the investments increased by 73.2% (+2,665.8 kEUR). They were with: i) Banca Generali, held in Euro, equivalent to 2,273.6 kEUR (in 2021: 2,390.4 kEUR), representing around 36% of the total Investments (in 2021 they were representing 65.6%); ii) Canara Bank and Bank of America, held in Indian Rupees (INR), totalling 3,454.0 kEUR and represented 54.8% of the total Investments (in 2021: 713.4 kEUR, 19.6% of the total Investments); iii) State Bank of India, held in USD, totalling 580.0 kEUR and representing 9.2% of total Investments (in 2021: 538.0 kEUR, representing 14.8% of total Investment). Details on Investments are shown in Note 3.

13. Management referred to us that the sharp increase in Investments in Rupees, is due to a reinvestment started in January 2022: previous Investments in Rupees had been cashed at 31.12.2021 and now, they were reinvested due to more favourable interest's rates, reaching the same level amount as two years before.
14. In relation to events after the reporting date, there was recorded no impairment loss in Note 3, as last year.

### **Contribution receivables**

15. Contribution receivables from Member States and Donors were composed of "current" and "non-current" and were recorded at nominal value, less allowance for doubtful receipts (their breakdown is shown in Note 4). The methodology used is indicated in the Notes.
16. Current Contributions Receivables: an amount of 17,503.1 kEUR was recorded in 2022, a decrease of around 21.3% as compared to the value of 22,237.7 kEUR recorded at 31.12.2021; they represented 25.6% of Total Assets and were mainly related to External Funds managed in the Components of Trieste and New Delhi.
17. Non-Current Contributions Receivables: 3,212.8 kEUR in 2022 with an increase of 421.8 kEUR (+15.1%) as compared to the value of 2,791.0 kEUR recorded at 31.12.2021. They were recorded according to the accounting policies stated in Note 1.
18. Management accounted an allowance for the uncollected Assessed contributions for 2,028.8 kEUR; further comments are reported in Note 4.
19. In its recommendation 2/2017, the External Auditor urged Management to take action to recover the relevant amount of assessed contributions, which some Member States had not paid.
20. In this regard, the Management confirmed that a recovery strategy to collect these arrears, including the possibility of instalment payments, is under way.
21. The Management reported that in the year 2021, despite the generalized financial difficulties by Member States related to the Covid-19 pandemic, some Countries were able to start paying their arrears.
22. With reference to the reconsideration of the current scale of assessment, which has long been outdated and in the recent years has also run in the generalized financial constraints due to the pandemic, Management informed that the process of such a reconsideration is ongoing, with the aim of finding a solution



based on the UN principles and standards and acceptable to all Member States.

23. The External Auditor continues to encourage the Management to pursue its efforts in these two areas, which appear to be crucial for an up to date, stable and regular funding of the Organization.

#### **Other receivables**

24. Other receivables amounted to 161.8 kEUR in 2022 (466.8 kEUR in 2021). They represented 0.2% of Total Assets. A detailed breakdown of “other receivables” is shown in Note 5.

#### **Inventories**

25. According to IPSAS 12, all items in the warehouses were recorded, in the year 2022, in a dedicated account and were disclosed in the Financial Statements. The heading “Inventories”, totalling 207.1 kEUR, increased by 112.3 kEUR (+118.5%) as compared to 94.8 kEUR at 31.12.2021.
26. We carried out in March 2023 a check of selected items recorded in the warehouse in the HQs. We did not detect major problems that could affect the financial statements.

#### ***Assets’ management***

27. We have carried out the physical stock check in Trieste in March 2023, based on a sample of items selected from the assets' register and we traced if all the tested items were properly recorded in the accounting system.
28. We did not detect major problems that could affect the financial statements. Moreover, we were informed that the process related to the global verification of all assets, which had begun last years, is still in progress, and allowed to correct and prevent the inaccuracies with reference to old items and low value assets, in compliance to what we recommended; for this reason, we decided to consider the recommendations 3/2018 and 4/2019 as “closed”.
29. Furthermore, last year we suggested the implementation of an automatic tool for the reconciliation between physical inventory and SAP accounting system in order to lower risks of errors in the recording process.
30. During our audit this year, we were informed that this automatic reconciliation was adopted with the customization of the system; therefore, our suggestion was implemented.

## **Other assets**

31. Other Assets, composed of “current” and “non-current”, are detailed in Note 7.
32. Other Current Assets: 3,359.6 kEUR in 2022, a decrease of 352.3 kEUR, around -9.5% as compared to the value of 3,712.0 kEUR recorded at 31.12.2021; they represented 4.9% of Total Assets.
33. Other non-Current Assets (520.7 kEUR in 2022) recorded a decrease of 929.4 kEUR (-64.1%) as compared to 1,450.1 kEUR recorded at 31.12.2021; they represented 0.8% of Total Assets.

## **NON-CURRENT ASSETS**

34. “Non-Current Assets” consisted mainly of: a) “Contribution receivables”, totalling 3,212.8 kEUR (4.7% of Total Assets); b) “Property Plant and equipment”, amounting to 11,670.6 kEUR (17.1% of Total Assets); c) “Intangible Assets” totalling 249.9 kEUR (0.4% of Total Assets); d) “Other non-current assets” totalling 520.7 kEUR (0.8% of Total Assets). The basis for the evaluation of assets is set out in the “Summary of significant accounting policies” (Note 1: Accounting Policies).

## **Property, Plant and Equipment**

35. In order to comply with IPSAS 17, capitalized assets were recorded in a dedicated account, disclosed in the Financial Statements and depreciated according to Management Rules indicated in Note 1.
36. The heading “Property, Plant and Equipment”, totalling 11,670.6 kEUR, increased by 3,250.0 kEUR (+38.6%) as compared to 8,420.6 kEUR at 31.12.2021. They were depreciated according to the Management Rules illustrated in Note 1 “Significant Accounting Policies”.
37. We carried out the audit on the spot related to the Asset Register only in the Trieste Component, we will consider all our recommendations issued in the past years as “ongoing”.

## ***Headquarters Agreement and expenditures for premises***

38. In the past years we have encouraged the ICGEB to clarify and define with the Host Country the status of the Trieste Component.
39. This also because a dispute arose with the Area science Park of Trieste over a relevant sum related with the utilization of the Trieste premises, which could have a relevant impact in the budget of the Organization.

40. We therefore were pleased when an Agreement to this effect was signed between the ICGEB and the Italian Government and the ratification of such Agreement was concluded by the Italian Parliament.
41. We also welcomed the contacts of the Management with the Area Science Park of Trieste with the view of reaching a permanent solution to the said dispute in the context of the mentioned Headquarters Agreement.

### **Intangible Assets**

42. The heading “Intangible assets”, totalling 249.9 kEUR, decreased by 119.4 kEUR (-32.3%) as compared to 369.3 kEUR at 31.12.2021. They were depreciated according to the Management Rules illustrated in Note 1.

### **Liabilities**

43. Total Liabilities in 2022 amounted to 25,209.4 kEUR, a decrease of 11,841.0 kEUR (-32.0%) as compared to the value at 31.12.2021 (37,050.4 kEUR). The basis for the evaluation of Liabilities is set out in the Notes.

### **Current liabilities**

44. “Current Liabilities” amounted in 2022 to 19,028.2 kEUR, a decrease of 3,332.5 kEUR (-14.9%) as compared to the value at 31.12.2021 (22,360.7 kEUR). They represent 75.5% of the Total Liabilities.
45. They consisted mainly of: a) “Advance receipts” (826.7 kEUR) representing 3.3% of Total Liabilities; b) “Employee benefits” (3,022.7 kEUR) representing 12.0% of Total Liabilities; c) “Payables and accruals” (3,441.1 kEUR) representing 13.7% of Total Liabilities; d) “Other current Liabilities” (1,062.8 kEUR) representing 4.2% of the Total Liabilities; e) “Deferred revenue” (10,672.5 kEUR) representing 42.3% of Total Liabilities; f) “Deferred/accrued liabilities” (2.4 kEUR), representing 0.01% of Total Liabilities. The basis for the evaluation of current liabilities is set out in the Notes.

### **Non-current liabilities**

46. “Non-current Liabilities” amounted to 6,181.2 kEUR, a decrease of 8,508.5 kEUR (-57.9%) as compared to the value recorded at 31.12.2021 (14,689.7 kEUR) and they weighted 24.5% of the Total Liabilities.
47. They consisted mainly of: a) “Employee benefits” (27.8 kEUR) representing 0.1% of the Total Liabilities; b) “Other non-current liabilities” (422.8 kEUR), representing 1.7% of the Total Liabilities; c) “Deferred revenues” (5,730.6 kEUR) representing 22.7% of Total Liabilities. The basis for the evaluation of non-current liabilities is set out in the Notes.

## **Deferred revenue**

48. Deferred revenues were composed of “current” and “non-current” and were related mainly to grants received by ICGEB from donors, as described in “Accounting Policies” (Note 1).
49. Current deferred revenue: 10,672.5 kEUR in 2022, a decrease of around 14.5% as compared the value of 12,484.4 kEUR recorded at 31.12.2021; they represented 42.3% of the Total Liabilities and were related mainly to grants obtained by the three Components.
50. Non-Current deferred revenue: recorded at 5,730.6 kEUR in 2022, they increased of around 1.5% as compared to the value of 5,647.7 kEUR recorded at 31.12.2021; they represented 22.7% of the Total Liabilities.
51. A detailed breakdown of deferred revenues is shown in Note 15.

## **Employee Benefits**

52. Calculation of the Employee benefits has been disclosed in Note 12 and they are related to liabilities for rights granted to staff such as separation allowance, repatriation grant, accrued leave, education grant, home leave.
53. The provision for Employed benefits has been reviewed by Management that operated a change in accounting estimates, which has impacted the “non-current” portion, meanwhile, according to IPSAS 1 paragraph 81, the change in accounting estimates has not impacted the “current” portion. All elements have been disclosed in Note 12.
54. Moreover, it is worthwhile mentioning that the ICGEB Staff Rules do not provide for the payment of After Service Health Insurance (ASHI) to staff, therefore Management did not include any ASHI liabilities.
55. Employee benefits were composed of “current” and “non-current”:
56. Current Employee benefits: 3,022.7 kEUR in 2022, a decrease of around 7.7% as compared the value of 3,274.0 kEUR recorded at 31.12.2021; they represented 12.0% of the Total Liabilities;
57. Non-Current Employee benefits: 27.8 kEUR recorded at in 2022 as compared to the value of 7,678.1 kEUR recorded at 31.12.2021 (-99.6%) and, as stated above, this sharp decrease is due to a change in accounting estimates as indicated in Note 12. They represented 0.4% of the Total Liabilities.
58. A detailed breakdown of Employee Benefits is shown in Note 12.

## **NET ASSETS**

59. Net Assets of the Organization at year-end comprised: *i)* accumulated surpluses and deficits; *ii)* Reserves; *iii)* Surplus/Deficit of the year (584.4 kEUR). In 2022, Net assets resulted in a positive value of 43,165.0 kEUR, with an increase of 8,465.1 kEUR (+24.4%) as compared to 31.12.2021 (34,699.9 kEUR); details are shown in Statement III.
60. We highlight that Management explained in Note 19 the reason for the increase of the surplus of the year 2021. Furthermore, as also explained above, the change in estimates operated by ICGEB Management in the Employee benefits impacted the accumulated surplus; see also Note 12 for details.

## **STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 31.12.2022**

61. This Statement shows the Organization's revenue and expenses classified, disclosed and presented on a consistent basis, in order to explain the year's surplus or deficit. The result of the period is a surplus of 584.4 kEUR.

## **REVENUES**

62. Total Revenues amounted to 25,118.4 kEUR in 2022, with a decrease of 1,584.3 kEUR (-5,9%) compared with 26,702.7 kEUR at 31.12.2021, and was composed of:
- a) "Voluntary Contributions", totalling 22,693.0 kEUR in 2022 and representing 90.3% of Total Revenues; they decreased by 7.6% (-1,874.4 kEUR) comparing to the previous year (24,567.4 kEUR);
  - b) "Assessed contributions", totalling 1,493.9 kEUR in 2022 and representing 5.9% of Total Revenues; they increased by 43.2% (+451.0 kEUR) compared with the previous year (1,042.9 kEUR);
  - c) "Revenue-producing activities", totalling 452.0 kEUR in 2022 and representing 1.8% of Total Revenues; it decreased by 2.7% (-12.5 kEUR) compared with the previous year (464.5 kEUR);
  - d) "Financial Revenue", totalling 349.6 kEUR in 2022 and representing 1.4% of Total Revenue; they decreased by 9.0% (-34.5 kEUR) compared with the previous year (384.1 kEUR);
  - e) "Other revenue", totalling 129.9 kEUR in 2022, and representing 0.5% of Total Revenue; it decreased by 46.7% (-113.8 kEUR) compared with the previous year (243.7 kEUR).
63. A detailed breakdown of Revenues is disclosed by Management in Note 20.

64. In the previous years, having noted that the amount of unpaid assessed contributions had reached a relevant level in relation to the total revenue of the Organization, we stressed the importance of taking every possible action to recover the unpaid sum.
65. The Management reported that a recovery plan has been put in place, that some Countries have started to repay their due and that the efforts in this direction are ongoing.
66. We also noted the ongoing efforts of the Management towards a reconsideration of the scale of assessment of the contributions, which was long out of date, according to the principles and the standards of the United Nations and acceptable to all Member States.
67. In this area we underlined, in general, the importance of a stable and regular funding of the Organization.

## **EXPENSES**

68. Total Expenses amounted to 24,534.0 kEUR, with an increase of 3,141.9 kEUR (+14.7%) as compared with 21,392.1 kEUR at 31.12.2021 and were composed of:
- a) "Wages, salaries and employee benefits", totalling 12,226.7 kEUR in 2022, representing around 49.8% of Total Expenses; they increased by 3.8% (448.9 kEUR) compared with the previous year (11,777.8 kEUR);
  - b) "Travel and DSA", totalling 1,085.5 kEUR in 2022 and representing around 4.4% of Total Expenses; they increased by 328.0% (+831.9 kEUR) as compared with the previous year (253.6 kEUR);
  - c) "Supplies and consumables", totalling 4,150.8 kEUR in 2022, and representing around 16.9% of Total Expenses; they increased by 8.8% (+336.1 kEUR) compared with the previous year (3,814.7 kEUR);
  - d) "Currency exchange differences", totalling 365.6 kEUR (corresponding to a loss in the exchange activity of the year 2022); it amounted to 452.8 kEUR in 2021 (corresponding to a profit in the exchange activity of the year 2021);
  - e) "Depreciation and amortization", totalling 1,597.0 kEUR in 2022 and representing around 6.5% of Total Expenses; they increased by 51.9% (+545.6 kEUR) as compared with the previous year (1051.4 kEUR);
  - f) "Employee Benefits provisions reconciliation", totalling 39.7 kEUR in 2022 (-68.2 kEUR in 2021); they represent the amount resulting from gain and loss of the provision calculated as explained in Note 12 and they are mentioned in Note 21.6;

- g) “Other expenses”, totalling 1,764.5 kEUR in 2022 (1,943.7 kEUR in 2021) and representing around 7.2% of Total Expenses;
  - h) Utilities & Premises”, as reported in Note 21.7, totalling 3,304.1 kEUR in 2022 with an increase of 408.3 kEUR as compared with the previous year 2,895.8 kEUR); they have been considered in 2019 for the first time and they are related to Premises’ maintenance and utilities; in prior years they were considered under “Other expenses”.
69. A detailed breakdown of the Expenses was disclosed by Management in Note 21.
  70. In our suggestion 2/2021, which is classified as “ongoing”, we noted that, while one Regional Research Centre is already operational, negotiations on this matter are undergoing between ICGEB and several member States.
  71. We indicated that it would be advisable for the Management to disclose the resources allocated to this kind of cooperation (missions of personnel, fellowships, workshops, use of the ICGEB emblem, etc) should their amounts become significant.

## **PROCUREMENT**

72. Procurement is the process of awarding and managing vendors to deliver goods and services in line with business requirements. It plays a critical role in enabling the organization to achieve its objectives.
73. For this reason, while we had been indicating along the years the need to establish a detailed policy and procedures for purchasing, we had also been giving advises on specific aspects of procurement.
74. In this report, we offer a comprehensive approach to this matter, as we have also been able to take up again our on-the-spot audit after the years of restrictions due to the Covid pandemic.
75. At ICGEB the procurement process is regulated by the Procurement Manual (revision March 2014) and by the MEMO/19-025/mlf.cg on the Harmonization of the guidelines for the procurement of equipment, supplies and services following the implementation of the new ERP system “UniversePath”.
76. Effective procurement processes enhance cost savings that could be redirected to further research activities.

***Avoiding the risk of splitting of Purchase Orders in order to bypass Procurement Manual's thresholds.***

77. According to the Part I and II of the Procurement Manual, Purchase Orders up to an amount to EUR 8,000 can be dealt directly by the Procurement Unit of each Component. Where a Group Leader or Principal Investigator indicates an item of a particular brand or a determined supplier, they are no obliged to accept the less costly brand or supplier proposed by the Procurement Unit, and there is not the need of an explanation.
78. During the audit, we found that, for the period 2019 – 2022, in many cases multiple Purchases Orders, below EUR 8,000, have been awarded to suppliers for a total cumulative amount which exceeded bidding threshold.
79. Although Part II of the Procurement Manual allows that every Purchase Orders below EUR 8,000 can be dealt directly by the Procurement Unit on the basis of expert indications received from the Group Leader or Principal Investigator, we consider that there is the risk of splitting of purchases. Furthermore, avoiding the threshold foreseen by the Procurement Manual for a competitive procedure (above EUR 8,000), requestors could have “access” to a preferred supplier even without signing a declaration of absence of conflict of interests (DACI).

***Recommendation n. 1***

80. Therefore, we recommend 1) to execute a timely monitoring of amounts cumulatively awarded to suppliers 2) in case the cumulative annual amount bypasses the Procurement thresholds as indicated in the Procurement Manual, then we recommend that all Procurement Units of the ICGEB should consider implementing Long Term Agreements with suppliers, to obtain a better “best available price” based on volume of purchases.

***Comments by Director-General***

We acknowledge the recommendation. We shall improve the monitoring and we shall consider, to apply to the entire organisation the good practice already in place in New Delhi of annual contracts for most of the long-term services as well as for a few suppliers.

***Enhancing internal controls through the management of Vendor relationships by Procurement Unit***

81. During the audit in one Component, we found cases in which Group Leaders or researchers had the possibilities to have direct contact with potential suppliers; for instance, they could 1) ask for quotation(s), 2) compare the



quotations received and 3) then inform the Procurement Unit in order to request the issue of a Purchase Order to the supplier they “selected”. We detected cases where researchers asked for a waiver to competition, without signing any declaration of absence of conflict of interests.

82. The external auditor considers that this practice is not in line with the UN best practices on procurement guidelines and only the Procurement Unit should be allowed to ask for quotations and receive quotations.
83. In order to enhance independency of internal controls in the procurement area, it should be avoided that Group Leader or researchers get in direct contact with suppliers to receive offer and/or comparing them.

#### ***Recommendation n. 2***

84. We, therefore, recommend that: 1) for every procurement Group Leaders, researchers and Head of Units should fill in a purchase request containing the characteristics of goods or services needed and the technical specifications; 2) if a waiver to competition is needed, they should inform the Procurement Unit explaining the reasons and signing declaration of absence of conflict interests; 3) only the Procurement Unit should get in contact with the supplier in order to request and receive the quotations and eventually to negotiate the price of the Purchase Order/contract.

#### ***Comments by Director-General***

Due note had been taken of this recommendation. SAP will be further enhanced to receive also technical specifications for services, staff will be informed of the new functionality and internal controls, procedures will be enhanced as recommended.

#### ***Enhancing Internal controls in the procurement process***

85. As also stated by the Procurement Manual exception to competitive bidding are serious departures from the regular procurement process. During the audit the external auditor found that an effective and efficient database of contracts awarded using the waiver of competition or sole source procurement is not in place. Information could be gathered from the system not in an automated and direct way, but only after a specific analysis.
86. According to the Procurement Unit, 2.37% of the Purchase Orders/contracts above the Euro 8.000 threshold were awarded using the following procedures: waiver of competition, sole source, restricted procedures.
87. For example, during 2022 the total of Purchase Orders issued in the only Component of Trieste are 1389: 1355 are below EUR 8,000, 33 above EUR

8,000 (12 direct, 12 RFO, 1 RFP, 4 waiver, 4 agreement CRUI). Therefore, only 13 Purchase Orders have been awarded following a competitive procedure.

88. In addition, during the audit the external auditor found weaknesses in the management of the suppliers, for example, there is not a comprehensive database of suppliers containing all their related information. In addition, however foreseen by the Procurement Manual (in the part related to the vendor relationships), a vendor performance evaluation, and a blacklist of vendors with poor performance are not performed.

***Recommendation n. 3***

89. We recommend that the Procurement Unit should: 1) establish a database, regularly updated, of contracts awarded using a waiver of competition or sole source; 2) monitor timely and effectively the number of contracts awarded using a waiver of competition, in order to assess if, according to the nature of the service or supply to be procured, an open and competitive bidding might be required instead.
90. We also recommend 1) establishing a database of suppliers constantly updated; 2) establishing and implementing a vendor performance procedure for each vendor, continuously updated at the end of each Purchase Order or Contract; 3) establishing a blacklist database of vendors who received a poor vendor performance evaluation.

***Comments by Director-General***

We shall establish a database to monitor the waivers of competition as requested under paragraph 90.

With reference to the recommendations in paragraph 91, Management shall establish a database of suppliers as well as a vendor performance procedure but we shall evaluate the opportunity of the request of establish a blacklist database of vendors because as presented, the blacklisting process can be very cumbersome and also can backfire in cases of sole service providers.

It is also highlighted that poor performance of vendors should be managed and improved through the database of the vendors and not through the blacklisting as suggested. This as per the UN best practices should be limited to the sole cases of vendors that engage in proscribed practices.

### ***Improving publicity and transparency of procurement opportunities***

91. According to part VIII of the Procurement Manual, only procurements related to works of the component of New Delhi have to be published on ICGEB website. During the audit we found that the only few procurement opportunities are published on the ICGEB website, on the United Nations Global Marketplace (UNGM) or local newspaper depending on the object of the tender.

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

92. In order to improve publicity, competitiveness and transparency, we recommend that Management consider i) publishing all the tender notices above a certain threshold on the ICGEB website, United Nations Global Marketplace (UNGM), other similar websites and newspapers; ii) after the conclusion of a procurement procedure, a contract award notice should also be published with the name of the supplier and the amount of the contract.

#### **Comments by Director-General**

We take note of the recommendation and will take appropriate action(s).

93. During the audit, the external auditor found that there is no procedure in place where suppliers, who perceived having been unjustly treated during a procurement procedure, have the opportunity to be heard on the outcome of the procurement procedure and to file a complaint to contest it, as a best practice foreseen by the UN Procurement Practitioner's Handbook (Award notification and debriefing of unsuccessful suppliers and Protest by vendors).

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

94. To comply with the UN best practices on procurement, we suggest that Management identify and make available to suppliers, who perceive to be unfairly treated during a procurement procedure, a challenge procedure, which should be duly communicated to all participants to ICGEB procurement procedures.

#### **Comments by Director-General**

Due note has been taken of this suggestion. Management will acquire more information about international best practices and will evaluate the opportunity of introducing such procedure across the entire organisation.

95. Lowering the Risk that Procurement Unit is bypassed: Purchase Orders and/or Contracts, if not authorized by the Procurement Unit, should go to the exception register

***Recommendation n. 5***

96. To avoid the risk that some Purchase Orders or Contracts may be awarded without passing through the Procurement Unit, not following the procurement procedure, we recommend that Management should: 1) feed the exception register also for Procurement's related authorizations, when management decisions are taken in exception to internal regulations; 2) monitor the above-mentioned exceptions in order to minimize them in future exercises.

***Comments by Director-General***

We acknowledge the recommendation, and we shall take action to implement it.

***Updating of the Procurement Manual and increasing in the number of staff for the Procurement Unit***

97. Although in the samples selected by the external auditor there were procurements that followed a two envelopes procedure (one envelope for the technical offer and one for the financial offer), the current Procurement Manual does not foresee this procedure and there are no other guidelines foreseeing it as mandatory.
98. With a view to adequately addressing all procurement processes considered during the audit, and in line with the above recommendations, we consider that a well-established international laboratory, as ICGEB, should have as a reference the UN Procurements good practices (as the ones envisaged by the UN Procurement Practitioner's Handbook) and an adequate level of staffing in the procurement unit, to enhance internal controls.

***Recommendation n. 6***

99. Therefore, we recommend that Management consider 1) updating the Procurement Manual according to the United Nations best practices that can be found in the UN Procurement Practitioner's Handbook 2) increasing the number of staff of the Procurement Unit for Trieste Component, in order to enhance internal controls according to our recommendations.

***Comments by Director-General***

Management shall implement what requested.

## **STATEMENT OF CHANGES IN NET ASSETS FOR YEAR ENDED 31.12.2022**

100. The Statement III, "Statement of changes in net assets", shows movements during the year 2022, ending in a positive value of the net assets, amounting to 43,165.0 kEUR at 31 December 2022.

## **CASH FLOW STATEMENT FOR YEAR ENDED 31.12.2022**

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

102. In 2022 ICGEB reported a positive cash flow of 3,921.1 kEUR from operating activities, whilst the Net cash flows from investing activities were negative (-7,383.1 kEUR). The net result in Cash and cash equivalents showed a positive value of 25,049.0 kEUR in 2022 (with a decrease if compared to a positive value of 28,511.0 kEUR in 2021).

## **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 31.12.2022**

103. Statement V, "Comparison of budget and actual amounts for the year ended 31 December 2022", is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. The Standard also envisages that the reasons for the material differences between budget and actual amounts should be disclosed. Further details concerning Statement V, which relates only to the regular contributions portion (core funds), are provided in Note 22.

## **Cooperation between the Internal Auditor and the External Auditor**

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

105. We received from OIA, information on all his Internal Audit Observations relating to 2022 addressing a range of issues, most of which noted satisfactory findings meanwhile others detected weaknesses in internal controls. The Internal Auditor reported to us that Management has already implemented, or

is currently implementing, the Recommendations contained in the Internal Audit Observations, and that corrective action has been or will be carried out, as appropriate.

106. In relation to recommendations on OIA's issues, in particular related to a Component, we note from the Internal Auditor's Observations that severe weaknesses were found in the area of managing and accounting for projects financed from external funds, and in the area of additional/supplementary salaries to some staff from external funds projects. The Internal Auditor presented his findings and recommendations to the DG and we were advised that corrective action had been promptly taken. In any case, we note that the Internal Auditor's Observations for 2022 were submitted to the DG and accepted.

### **FOLLOW-UP TO OUR RECOMMENDATIONS**

107. We followed up the implementation of the recommendations and suggestions issued in our previous report. In Annexes 1 and 2 are shown the follow-up tables, which include the comment received from ICGEB Management and the current status of their implementation.
108. The recommendations and suggestions that this year are evaluated as “closed” will not be included again in next year’s Audit Report, unless they need a follow-up on an annual basis.

## ANNEX I- Follow-up to the recommendations issued in our reports for financial years from 2016 to 2021

N.	<i>Recommendation made by the Corte dei conti</i>	<i>Comments received from Director General at the date of the audit report</i>	<i>Status as reported by ICGEB Management as of 31.12.2022</i>	<i>Status as assessed by the Italian Corte dei conti</i>
Rec. 4/2016	As stated in Note 1.9 “Significant Accounting Policies” “depreciation is provided for property, plant and equipment over their estimated useful life”, <u>we recommend</u> Management to prepare a procedure, at least for highly valued technical tools, that will establish clear and consistent criteria amongst Components on how to estimate newly the useful life, reassessing the value of assets fully depreciated but still in use, also repaired and still working.	We acknowledge the recommendation. This aspect of reassessing the value and useful life of the assets fully depreciated, will be considered during the implementation of the new ERP in order to have a certain degree of automation, as the number of assets in use at the organization is significantly high. Conditional to the options the new ERP will permit, Management will either take a decision to increase the economical life of the assets, taking into account their usefulness, and/or reassess their value beyond depreciation.	CLOSED The process has been included in the ICGEB IPSAS manual under Chapter IV: Assets and valuation a new paragraph: “Useful life review process”.	CLOSED
Rec. 1/2017	In consideration of the fact that “Cash and Cash equivalents” is mainly composed of the balance of bank accounts, representing in 2017 around the 35% of the “Total Assets”, and also recalling the importance for the auditor’s assurance to receive confirmation letters from Banks, not having received also this year a limited amount of bank’s confirmation, <u>we recommend</u> Management to continue and enhance its efforts for inducing the banks to send timely the confirmation’s letters to the External Auditors.	Management acknowledge recommendation and assures efforts will continue to enable the External Auditors to receive the balances of ICGEB accounts from Banks. However it is noted this is a two-way process between the External Auditors and Banks. Some of the difficulties hampering the receipt of confirmation letters are to ascribe to the frequent and wide turn-over in this area of business. Other difficulties might come from the confirmation system chosen by some Banks and their single secure web-based platform which, albeit allows the effective management and control of confirmation process and thus resulting in fraud risk reduction, is a complex and time consuming procedure.	CLOSED Management confirms its efforts to enable the External Auditors to timely receive the balances of ICGEB accounts from the banks.	ONGOING
Rec. 2/2017	In consideration of the relevance of the amount of outstanding assessed contributions vis à vis the total revenue of the Organization reached in the financial year 2017 and in consideration of the low trend of recovering registered over the years, <u>we recommend</u> that Management takes every possible further action to recover the unpaid sum.	Due note has been taken of the recommendation. It is confirmed Management has already put in place some measures to recover outstanding assessed contributions. During the year others will be undertaken since this is one of the priorities of the newly recruited Chief of External Relations.	Due note has been taken of the recommendation. It is confirmed Management is continuing its efforts to recover outstanding assessed contributions.	ONGOING

<b>N.</b>	<b>Recommendation made by the Corte dei conti</b>	<b>Comments received from Director General at the date of the audit report</b>	<b>Status as reported by ICGEB Management as of 31.12.2022</b>	<b>Status as assessed by the Italian Corte dei conti</b>
Rec. 2/2018	In consideration that, during our audit, obsolete items were still recorded at a given value, <u>we recommend</u> to Management updating the inventories as to reflect the fair value of the items in stock.	The Management acknowledges the recommendation and confirms that a strategy has already been developed to either write-down obsolete stock or to update items value in line with IPSAS principles.	CLOSED We confirm that an internal process has been developed to monitor inventory for obsolescence. In the framework of the yearend inventory stock-take, obsolete items are either written down if they cannot be used in the process or their value is updated if there is a potential service benefit for the research activities.	CLOSED
(Rec. 3/2018)	(According to our findings, detected during our audit of the assets recorded in the register, <u>we recommend</u> that Management: (i) correctly record all the items in control of ICGEB, according to IPSAS 17, in the register and (ii) purchase any assets through the "Procurement Unit" following all the steps provided in the ICGEB Procurement Manual.)	(Management acknowledges the recommendation and confirms that (i) the 2019 floor-to-register asset verification will be carried out by a person designated with the responsibility of identifying any unlabelled "Area" asset present on the premises; and (ii) rental contract negotiation will be centralized in the Procurement Unit with a view at standardizing procedures.)	CLOSED With a view at increasing accuracy in recording all items in control of ICGEB in the asset register, and guarantee compliance with IPSAS standards, the following actions have been implemented: 1) a copy of the IPSAS manual has been shared with all interested parties and on-the-job training organized within the various unit. 2) The concept of low value asset which was initially linked to the pure commercial attractiveness has been revised and linked also to potential service benefit to activate the appropriate judgement call at procurement stage. 3) During year 2022 laboratories have been actively involved in verifying the presence of fully functional not labelled assets having a tangible impact on scientific activities. As of today 64 items have been identified (list enclosed) and master records have been created in SAP with a dedicated inventory code (80T00001 – 80 unique identification code, e.g. T for Trieste, 00001 progressive number).	CLOSED
Rec. 4/2019	According to our findings detected during our audit of the assets recorded in the register, <u>we renew our recommendation</u> 3/2018, in particular in relation to part (i) where we invited Management to increase the accuracy in recording all the items in control of ICGEB, in the asset register, according to IPSAS 17.	We acknowledge recommendation and confirm our continuous effort to improve the accuracy of the asset register.		



<b>N.</b>	<b>Recommendation made by the Corte dei conti</b>	<b>Comments received from Director General at the date of the audit report</b>	<b>Status as reported by ICGEB Management as of 31.12.2022</b>	<b>Status as assessed by the Italian Corte dei conti</b>
Rec. 5/2018	During our audit in a Component of amounts paid for a Workshop, although we understood from Management that, in that Component, the number of workshops is very limited during a given year, we observed that there was not a summary report of the logistical indications and specifications of the workshop itself. This would specifically relate to the post-award process of an ICGEB funded event. <u>We therefore recommend</u> to Management, also for assuring homogeneity across Components, having a standardised form, where the detailed objectives and logistical specifications, related to the hosting of the workshop itself, could be indicated. In this way, even the competitive process to be maintained in the choice of venues, hotels and/or travel Agents might result in more effective and in compliance, when needed, with the ICGEB Procurement rules.	Management acknowledges recommendation and assures efforts will continue to increase homogeneity across the Components.	CLOSED  To increase homogeneity across the Components the processes have been included and formalised in the ICGEB "Procedures for the preparation and financial implementation of meetings, courses, workshops and other events" issued in November 2022.	CLOSED
Rec. 3/2019	During our audit in the Delhi Component, we agreed with the Director that having values of stocks at year end could have been beneficial for the Component, therefore <u>we recommend</u> to implement alternative procedures capable to provide effective estimates on stocks at year ends, not only for accounting purposes but also for increasing efficiency and effectiveness of stock management.	We acknowledge the recommendation. Management confirms it will address it in future and will identify a suitable solution.	CLOSED  From financial year 2022 an alternative procedure capable to provide effective estimates on stocks at year ends, has been implemented in the New Delhi and Cape Town components, which is based on specific identification of items on stock	CLOSED

<b>N.</b>	<b>Recommendation made by the Corte dei conti</b>	<b>Comments received from Director General at the date of the audit report</b>	<b>Status as reported by ICGEB Management as of 31.12.2022</b>	<b>Status as assessed by the Italian Corte dei conti</b>
Rec. 1/2021	We acknowledge that HR management expressed to the auditors its concerns and difficulties in asking staff supporting documents and also for being involved in investigations over the reliability of documents provided by Member States. However, having observed during our audit that certain controls over allowances are, in the substance, based on self-declarations prepared by beneficiaries which are difficult to investigate by HR management, in order to enhance internal controls, <u>we recommend</u> Management: (i) to develop a detailed procedure defining all the steps necessary to minimize risks of undue payments; (ii) to assess whether to maintain benefits which can be effectively checked against reliable supporting documents; (iii) reconsider the appropriateness of providing family allowances only to spouse (or equivalent title) and descendants; (iv) to explore the possibility of introducing automated tools, possibly linked to official databases in Member States, that might be able to flag and support the checks performed by HR; (v) to foresee, in case of family members unemployed, a specific lapse of time of effective unemployment (for instance two/three years).	We are able to get supporting evidence for the payment of dependency, allowances, in the case of a working spouse, they provide an annual earnings declaration that is below the established limit, as per staff rules 6.11 (a) which must not exceed the lowest entry level of the General Service net salary scales over and above the self-declaration completed by the staff member. However, for a spouse who is unemployed, the majority of our Member States do not require people who earn below a tax threshold or unemployed without any income to complete a tax return. Therefore, it becomes difficult to obtain a declaration indicating that they are not employed, and we rely on the self-declaration.  The recommendation (iv) to investigate the reliability of the documents with Member States will be difficult due to data protection and privacy of the third parties concerned.  We however note the risk expressed and would like to gain more time to explore possible solutions to mitigate the risk.	ON GOING  Management continues to explore possible solutions to mitigate the risk.	ONGOING

<b>N.</b>	<b>Recommendation made by the Corte dei conti</b>	<b>Comments received from Director General at the date of the audit report</b>	<b>Status as reported by ICGEB Management as of 31.12.2022</b>	<b>Status as assessed by the Italian Corte dei conti</b>
Rec. 2/2021	During our audit, we observed that: (i) certain controls over declarations of external activities carried out by staff (for instance, research, academic activities, etc.) might be ineffective because they are based on self-declarations prepared by beneficiaries which are difficult to investigate by HR management; (ii) there are no specific instructions on how, who and to what extent HR, or any other service, has to control effectively these declarations. Therefore, we recommend Management, in line with the nature of the employment contract: (i) to implement an effective internal procedure that defines not only who and to what extent external activities should be controlled but also what are the monetary threshold that should be respected in line with UN practices; (ii) to enhance controls to regulate external activities in order to prevent risks of conflicts of interest and risk that staff might receive unauthorized additional source of funding.	We take note of the recommendation and will take action to implement it.	ON GOING  Management confirms it will take action to implement the recommendation.	ONGOING
Rec. 3/2021	In order to enhance the level of information that Statement III should provide to Member States, <u>we recommend</u> Management (i) to better disclose reserves with direct reference to earmarked categories and (ii) to assess whether it will be necessary to introduce a “working capital fund” as it exists in other UN Agencies.	We acknowledge recommendation and shall implement what requested.	Point ii) CLOSED: a WCF has been established with an administrative instruction which is effective as of 9th March 2023.  Point i) is ONGOING given that the it depends on the establishment of the WCF fund .	CLOSED with reference to point ii) and ONGOING with reference to point i).

## ANNEX II – Follow-up to the suggestions issued in our previous reports for financial year from 2014 to 2018

<i>N.</i>	<i>Suggestion made by the Corte dei conti</i>	<i>Comments received from Director General at the date of the audit report</i>	<i>Status as reported by ICGB Management as of 31.12.2022</i>	<i>Status as assessed by the Italian Corte dei conti</i>
Sugg. 5/2014	Although we acknowledge that a biennial work was presented in relation to budget exercise, also considering that an ERM has not yet been implemented, <u>we suggest</u> OIA to adopt a multi-year audit plan, on a rolling cycle, based on a risk assessment exercise.	Due note is taken of the suggestion: the Director-General will liaise with the Internal Auditor, accordingly.	ON GOING Due note is taken of the suggestion: the Director-General will liaise with the Internal Auditor, accordingly.	ONGOING
Sugg. 3/2015	In relation to items recorded as Inventory in the Financial Statements, <u>we suggest</u> Management to consider whether it is appropriate or not, subject to cost/effectiveness evaluation, to have a warehouse in each of the three Components, in particular with regard to consumables financed through specific project funding.	Due note has been taken of this suggestion. Management has already started a process to evaluate the cost-effectiveness of creating a warehouse in all the three Components, especially concerning consumable items. This analysis will take into account the necessity to devote specific budgetary and personnel resources to the task, as compared to the amounts of residual inventories involved.	ON GOING	ONGOING
Sugg. 1/2021	In relation to the fixed assets' recording, having observed that the verification results obtained through the new software are manually reconciled with ICGB's registry in SAP accounting system, <u>we suggest</u> implementing an automatic reconciliation, for instance with an automated tool. However, we were informed that this system's improvement had been already envisaged by Management as a useful implementation.	We acknowledge the suggestion. We confirm that Management is following-up with this improvement and implement it, if possible, within this financial year.	CLOSED A customized transaction has been developed and activated in the ERP, UniversePath.	CLOSED
Sugg. 2/2021	With reference to the ongoing negotiation of the implementation of various RRC by ICGB, in order to enhance the transparency of information provided to Member States, <u>we suggest</u> Management to disclose in a detailed way in the Notes of the Financial Statements the resources that in various ways might be allocated to this kind of cooperation, should their amount start to become significant and have an impact on accounts.	Due note has been taken of this suggestion. Should in future the resources allocated to the various RRC become significant and have an impact on the account, Management will evaluate the opportunity of disclosure in the Financial Statements.	Due note has been taken of this suggestion. Only one RRC is active to date and resources allocated to this kind of cooperation are not significant.	ONGOING