CORTE DEI CONTI

LA SEZIONE DI CONTROLLO
PER GLI AFFARI COMUNITARI ED INTERNAZIONALI

Composta dai Magistrati:

Dott.	Giovanni	COPPOLA	Presidente
Dott.	Carlo	MANCINELLI	Consigliere
Dott.	Gian Luca	CALVI	Consigliere
Dott.	Ilio	CICERI	Consigliere
Dott.	Michele	COSENTINO	Consigliere
Dott.ssa	Maristella	FILOMENA	Referendario

Nell'Adunanza del 29 aprile 2022

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 2021 trasmessi in data 17 marzo 2022;

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* 31.12.2021 - ICGEB;

DELIBERA

di approvare definitivamente, con le modifiche apportate dal Collegio, l'*audit certificate* e il *report* relativi all'*Audit of the Financial Statements at* 31.12.2021 – ICGEB, avendo ricevuto i commenti da parte dell'Organizzazione ed avendo espletato il contraddittorio;

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

Il Dirigente
Maria Pia Gubbiotti
f.to digitalmente

Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CENTRE
FOR GENETIC ENGINEERING
AND BIOTECHNOLOGY
(ICGEB)

Audit of the Financial Statements at 31.12.2021

27th April 2021

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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 2021 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 2021, 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 finalised version of the Financial Statements on the 17th of March 2022.

The Letter of Representation referring to the Accounts for the Financial Year 2021, signed by the Director-General on the 14th of March 2022, 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 14th of March 2022, 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.

Due to the Covid-19 pandemic, which hit all the world during 2020 and 2021, no presence on-the-spot was possible at ICGEB, due to authoritative constraints on mobility. Such limitations were mitigated in March 2022 and therefore we were able to perform only limited testing on-the-spot in the Trieste Component, and, as in the past year, we performed analytical procedures where International Auditing Standards foresee direct verification of underlines transactions.

Furthermore, as it also happened in the past year, we decided to postpone some of the substantive testing in the consideration that our Mandate will continue in the next year.

This is also reflected in our follow up table, where we classified as “ongoing” some of our recommendations, when we did not have the possibility of following-up them by audits on the spot, specifying that our capacity of performing such audits was limited by authoritative legislation.

Nevertheless, thank also to our knowledge of the internal controls operating in ICGEB and through all the available alternative procedures, we were able 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 26th of April 2022 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 discretional, 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 will carry out this audit remotely for the above-mentioned circumstances linked to the SARS-COV-2 pandemic. This audit certification, which is additional with regard to the audit mandate agreed upon between the ICGEB and the External Auditor, will be issued during the year.

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 2021, 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 2021 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 2021, 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.

At the date of issuance of this certificate the Covid-19 global pandemic is not yet under complete control worldwide. Management continues to closely monitor the situation and duly considering in the Notes adjusting events after the reporting date.

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 2021.

Rome, April 27th, 2022

Guido Carlino

President of the Corte dei conti
(original digitally signed)

STRUCTURE OF THE FINANCIAL STATEMENTS

- The ICGEB Financial Statements prepared and presented in compliance with IPSAS 1 included the following elements:
- Statement of financial position (Statement I) – Statement of Financial Position as at 31 December 2021 with comparative figures as at 31 December 2020, 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 2021, showing the Surplus/Deficit for the financial year.
- Statement of Changes in Net Assets for the year ended 31 December 2021 (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 2021, 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 2021 financial period.
- Notes to the financial statements for the year 2021, providing information about accounting policies and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

IPSAS IMPLEMENTATION

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

at 31 December 2014 in the ICGEB's Financial Statements, in compliance with the United Nations System Accounting Standards (UNSAS). In the years 2014 and 2015, this passage from UNSAS to IPSAS involved ICGEB in a complex transitional phase.

3. In the consideration that a relevant part of the adjustments carried out during 2016 were due to weaknesses detected in the IT tool used for accounting (Metodo), and also in consideration that the mentioned IT tool was not adequate for an accurate recording of the Components' transactions, Management decided to install and implement a new IT accounting software (SAP), which started working in mid-2018, for the Components of Trieste and Cape Town, while for the New Delhi Component's the ICGEB Headquarters decided to maintain the imprest account system through 2018 and start the SAP system in 2019. Therefore, a new reassessment of the Assets' values due to the complete implementation of the SAP accounting software was needed in 2019.
4. We audited the accounts for the Financial Year 2021, 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.
5. We also analysed additional guidance issued by IFAC through IAASB and IPSASB documents published for an ad-hoc response to technical auditing and accounting issues raised during the pandemic.
6. As for 2020, we prepared for 2021 a specific checklist tailored to the relevant paragraphs of the IPSAS standards that might be duly evaluated by Management during the pandemic, considering whether events occurring should be "adjusting" or "not adjusting" and if they should be reflected in the Notes.
7. Management kindly replied to us and answered to the points raised in this checklist.
8. We are aware of the efforts made by the Management in implementing the accounting system according to IPSAS, in particular during this pandemic. We thank the Management for providing us, in a very transparent way, with all the information needed for the certification process.
9. With reference to the Strategic Plan for the years 2020-2030, approved by the Governing Bodies of the ICGEB in the year 2020 and officially published in the year 2021, we confirm our appreciation for such strong effort to put in place a long term planning of the activities of the Organization and to define its macro

objectives in line with those of the Agenda 2030 for the sustainable development of the United Nations.

10. According to the terms of its mandate as laid down in article X of the Financial Regulations and its Annexes, in particular the Regulation 10.5, we will continue to follow the implementation of the Plane, with specific regard to the verification of the accountability of its funding and the performance of the related projects.

STATEMENT OF FINANCIAL POSITION 2021

ASSETS

11. In accordance with IPSAS 1, Assets in the year 2021 were distinguished between "Current" and "Non-Current"; they amounted to 71,750.3 kEUR, an increase in overall terms of 6,422.4 kEUR (+9,8%) as compared to the value recorded at 31.12.2020, which amounted to 65,327.9 kEUR. This increase was mainly due to an increase in (i) "Cash and Cash equivalents" (+ 6,580.1 kEUR) (ii) "Contributions receivable" (+2,685.1 kEUR) for the part related to "Current Assets", and 1,087,6 kEUR in Property, Plant and Equipment for the part recorded as "Non-Current Assets".

12. "Current Assets" (representing 81.8% of Total assets) consisted mainly of *a)* "Cash and Cash equivalents", amounting to 28,511.0 kEUR, representing 39.7% of Total Assets; *b)* "Investments", amounting to 3,641.8 kEUR, representing 5.1% of Total Assets; *c)* "Contribution receivables", totalling 22,237.7 kEUR, representing 31.0% of Total Assets; *d)* "Other receivables", amounting to 466.8 kEUR (0.7% of Total Assets); *e)* "Inventories", totalling 94.8 kEUR (0.1% of Total Assets); *f)* "Other current assets", totalling 3,712.0 kEUR, representing 5.2% of Total Assets. *g)* "Deferred/Accrued", totalling 55.2 kEUR (0.1% of Total Assets). The basis for the evaluation of assets is set out in the Notes.

Cash and cash equivalent

13. The heading "Cash and cash equivalent", totalling 28,511.0 kEUR, increased by 6,580.1 kEUR (+30.0%) as compared to 21,930.9 kEUR in 2020; 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 2021. They represent around 39.7% of the Total Assets and they weight 48.6% of the Current Assets. A detailed breakdown of Cash and cash equivalents is shown in Note 2.

14. We asked all the banks with business relations with ICGEB to confirm the current account balances as at 31 December 2021. We verified that the account

balances had been properly recorded in the accounts. All variances detected were explained and justified. It is worthwhile mentioning that we did not receive the direct confirmation from a bank with reference to two accounts. 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).

15. In accordance with our last year's recommendation no. 1, it was disposed the closure of one account at a bank, being also dormant from a long time.

Updating of lists of authorized signatures at banks

16. During our analysis of the banks' confirmations, we detected no discrepancies between the signatories' lists received from the banks and the list kept at the Headquarters. It has also to be mentioned that having not received the confirmation from one bank (see above), we were not able to make the verification concerning the two related accounts. Moreover, we detected that the list was missing also for another account at the same bank (see comments on paragr. 14).

Investments

17. The heading "Investments", totalling 3,641.8 kEUR at 31.12.2021, representing 5.1% of total Assets (6,758.9 kEUR at 31.12.2020), has been classified into "Current Assets" according to maturity; they decreased by 46.1% (-3.117,1 kEUR). The investments were with: i) Banca Generali, held in Euro, equivalent to 2,390.4 kEUR (in 2020: 2,356.7 kEUR), representing around 65.6% of the total Investments (in 2020 they were representing 34.9%); ii) Canara Bank and Bank of America, held in Indian Rupees (INR), totalling 713.4 kEUR and represented 19.6% of the total Investments (in 2020: 3,968.3 kEUR, 58.7% of the total Investments); iii) State Bank of India, held in USD, totalling 538.0 kEUR and representing 14.8% of total Investments (in 2020: 529.9 kEUR, representing 7.8% of total Investment). Details on Investments are shown in Note 3.

18. With regard to the sharp decrease of Investments in Rupees, we asked Management for an explanation and we were informed that due to a revision of the investment policy at a bank, the bulk renewal of deposits "on a single day" was not guaranteed anymore at the same interest rate; accordingly, in order to avoid a loss of interest and get the maximum interest rate, the related amounts were reinvested in the current year starting from January, on different dates,

after having been previously cashed in December 2021; they will attain maturity by 2023 in different dates instead of at year-end.

19. In relation to events after the reporting date, there was recorded no impairment loss in Note 3 (last year it was 96.0 kEUR in Banca Generali).

Contribution receivables

20. Contribution receivables from Member States and Donors were composed of “current” and “non-current” and were recorded at nominal value less allowance for doubtful receipts (for a detailed breakdown refer to Note 4). The methodology used is indicated in the Notes.

a) Current Contributions Receivables: an amount of 22,237.7 kEUR was recorded in 2021, an increase of around +13.7% as compared to the value of 19,552.6 kEUR recorded at 31.12.2020; they represented 31.0% of Total Assets and were related mainly to External Funds managed in the Components of Trieste and New Delhi.

b) Non-Current Contributions Receivables: 2,791.0 kEUR in 2021 with a decrease of 110.2 kEUR (-3.8%) as compared to the value of 2,901.2 kEUR recorded at 31.12.2020. They were recorded according to the accounting policies stated in Note 1.

c) In relation to events after the reporting date, Management transparently increased the allowance for the uncollected Assessed contributions of 331.9 kEUR; further comments are reported in Note 4.

21. In its recommendation 2/2017, the External Auditor urged the Management to take action in order to recover the relevant amount of assessed contributions, which some Member States have not paid.

22. In this regard, the Management confirmed that a recovery strategy to collect these arrears, including the possibility of instalments payment, is under way.

23. 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.

24. With reference to the reconsideration of the current scale of assessment, which is long out of date and which in the last years has also run in the generalized financial restrictions due to the pandemic, the Management informed that the process of such a reconsideration is in progress, with a view of finding a solution based on the principles and standards of the United Nations and acceptable to all Member States.

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

Other receivables

26. Other receivables amounted to 466.8 kEUR in 2021 (467.2 kEUR in 2020). They represented 0.7% of Total Assets. A detailed breakdown of "other receivables" is shown in Note 5.

Inventories

27. According to IPSAS 12, all items in the warehouses were recorded, in the year 2021, in a dedicated account and were disclosed in the Financial Statements. The heading "Inventories", totalling 94.8 kEUR, increased by 28.4 kEUR (+42.8%) as compared to 66.4 kEUR at 31.12.2020.
28. We carried out in March 2022 a check of selected items recorded in the warehouse in the HQs. We did not detect major problems that could affect the financial statements, except for minor inaccuracies.
29. In relation to the warehouse of the New Delhi Component, it was impossible for us to accomplish our physical check of the inventories also this year due to Covid-19 pandemic. In this sense, we consider our recommendation 2/2018 as "ongoing".

Assets' management

30. We have carried out two physical stock checks, in March 2022, 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.
31. We did not detect major problems that could affect the financial statements. Moreover, we were informed that a process related to the global verification of all assets is in progress, even in order to correct and prevent minor inaccuracies with reference to old items and low value assets; for this reason, we decided to consider the recommendations 3/2018 and 4/2019 as "ongoing".
32. Furthermore, in relation to the Components in Cape Town ad in New Delhi, as last year we were not able to carry out our testing, being impossible for us to travel due to Health Care Authorities' restrictions for the pandemic, we were not able to follow-up our past recommendations and suggestions on the necessity of an inventory exercise at year-end, and we continued to classify them as "ongoing".

An automatic reconciliation between physical inventory and accounts will lower risks of errors in the recording process

33. During our audit we observed that Management recurred to the implementation of a new software, provided by a company with a signed contract, in order to carry out the physical stocktaking.

Suggestion 1

31. In relation to the fixed assets' recording, having observed that the verification results obtained through the new software are manually reconciled with ICGEB's registry in SAP accounting system, we suggest 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.

Comments by Director-General:

<u>We acknowledge the suggestion. We confirm that Management is following-up with this improvement and implement it, if possible, within this financial year.</u>

Other assets

34. Other Assets, composed of "current" and "non-current", are detailed in Note 7.

35. Other Current Assets: 3,712.0 kEUR in 2021, a decrease of 948.0 kEUR, around -20.3% as compared to the value of 4,660.0 kEUR recorded at 31.12.2020; they represented 5.2% of Total Assets.

36. Other non-Current Assets 1,450.1 kEUR in 2021, recorded an increase of 316.4 kEUR (+27.9%) as compared to 1,133.7 kEUR recorded at 31.12.2020; they represented 2.0% of Total Assets.

NON-CURRENT ASSETS

37. "Non-Current Assets" consisted mainly of: *a)* "Contribution receivables", totalling 2,791.0 kEUR (3.8% of Total Assets); *b)* "Property Plant and equipment", amounting to 8,420.6 kEUR (11.7% of Total Assets); *c)* "Intangible Assets" totalling 369.3 kEUR (0.5% of Total Assets); *d)* "Other non-current assets" totalling 1,450.1 kEUR (2% 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

38. 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.

39. The heading “Property, Plant and Equipment”, totalling 8,420.6 kEUR, increased by 1,087.6 kEUR (+14.8%) as compared to 7,333.0 kEUR at 31.12.2020. They were depreciated according to the Management Rules illustrated in Note 1 “Significant Accounting Policies”.

40. Due to the pandemic and due to the related Health Care Authorities’ restrictions in travelling, it was possible for us to carry out the audit on the spot related to the Asset Register only in the Trieste Component but not in the other two Components. We will postpone such audits when respective National Authorities will allow travelling safely and for this reason, we will consider all our recommendations issued in the past years as “ongoing”.

Headquarters Agreement and expenditures for premises

41. In the past years we have encouraged the ICGEB to clarify with the Host Country the status of the Trieste Component.

42. We are therefore pleased that in the second half of the year 2021 an agreement to this effect was signed between the ICGEB and the Host Country, which has now put in place the procedure for the parliamentary ratification of such agreement.

43. At the same time, we have urged the Management to find a solution to the dispute with the Area Science Park of Trieste regarding the payment of a relevant sum related to the utilization of the Trieste premises.

44. The Management has informed that contacts are still ongoing with the new Management of the Area Science Park in order to find a permanent solution, also in the wider context of the Headquarters Agreement signed with the Host Country.

45. In its session of November 2021, the Board of Governors approved the guidelines for the establishment, within the Member States that so decide, of Regional Research Centers, whose main goal is to enhance scientific research programs and cooperation at the local level.

46. The guidelines provide that the RRC are established under the national law of the Country concerned and are funded and governed without participation of the ICGEB.

47. However, the Organization, while providing expertise, mentorship and scientific advise, will also advise on technical, operational and fund-raising matters.

48. The Management informed that up to now, the only RRC in operation is the Taizhou RRC, People Republic of China, inaugurated in September 2020. In the past years the ICGEB has co-financed missions to Taizhou of some members of its Scientific Committee and of its personnel, while in 2021 has co-financed the organization of a workshop, originally to be held in 2022 and then postponed to 2023 as part of its regular Meetings and Courses programme.

49. The Management states furthermore that negotiations are undergoing with at least four other Countries for the creation of RRC in their territories.

50. We believe that, as these initiatives will supposedly be finalized and the number of RRC will be increasing, so will be rising for the ICGEB the cost direct and indirect of this cooperation (for example: missions of personnel, fellowships, workshops, use of the emblem of ICGEB, etc).

51. Therefore, we consider that it would be advisable for the ICGEB, in the well-known context of transparency of all its transactions, to undertake disclosing, in due time, the resources that in various ways might be allocated to this kind of cooperation, should their amount start to become significant.

Suggestion 2

31. With reference to the ongoing negotiation of the implementation of various RRC by ICGEB, in order to enhance the transparency of information provided to Member States, we suggest 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.

Comments by Director-General:

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.

Intangible Assets

52. The heading “Intangible assets”, totalling 369.3 kEUR, decreased by 92.8 kEUR (-20.1%) as compared to 462.1 kEUR at 31.12.2020. They were depreciated according to the Management Rules illustrated in Note 1.

LIABILITIES

53. Total Liabilities in 2021 amounted to 37,050.4 kEUR, an increase of 2,753.3 kEUR (+8.0%) as compared to the value at 31.12.2020 (34,297.1 kEUR). The basis for the evaluation of Liabilities is set out in the Notes.

CURRENT LIABILITIES

54. “Current Liabilities” amounted in 2021 to 22,360.7 kEUR, an increase of 724.1 kEUR (+3.3%) as compared to the value at 31.12.2020 (21,636.6 kEUR). They represent 60.4% of the Total Liabilities.

55. They consisted mainly of: *a)* “Advance receipts” (597.1 kEUR) representing 1.6% of Total Liabilities; *b)* “Employee benefits” (3,274.0 kEUR) representing 8.8% of Total Liabilities; *c)* “Payables and accruals” (4,360.4 kEUR) representing 11.8% of Total Liabilities; *d)* “Other current Liabilities” (1,386.5 kEUR) representing 3.7% of the Total Liabilities; *e)* “Deferred revenues” (12,484.4 kEUR) representing 33.7% of Total Liabilities; *f)* “Deferred/accrued liabilities” (258.3 kEUR), representing 0.7% of Total Liabilities. The basis for the evaluation of current liabilities is set out in the Notes.

NON-CURRENT LIABILITIES

56. “Non-current Liabilities” amounted to 14,689.7 kEUR, an increase of 2,029.2 kEUR (16.0 %) as compared to the value recorded at 31.12.2020 (12,660.5 kEUR) and they weighted 39.6% of the Total Liabilities.

57. They consisted mainly of: *a)* “Employee benefits” (7,678.1 kEUR) representing 20.7% of the Total Liabilities); *b)* “Other non-current liabilities” (1,363.9 kEUR), representing 3.7% of the Total Liabilities; *c)* “Deferred revenues” (5,647.7

kEUR) representing 15.2% of Total Liabilities. The basis for the evaluation of non-current liabilities is set out in the Notes.

Deferred revenue

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

a) Current deferred revenue: 12,484.4 kEUR in 2021, an increase of around 6.7% as compared the value of 11,702.2 kEUR recorded at 31.12.2020; they represented 33.7% of the Total Liabilities and were related mainly to grants obtained by the three Components.

b) Non-Current deferred revenue: recorded at 5,647.7 kEUR in 2021, they increased of around 92.0% as compared to the value of 2,940.8 kEUR recorded at 31.12.2020; they represented 15.2% of the Total Liabilities.

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

Employee Benefits

60. 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.

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

62. 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.

63. Employee benefits were composed of "current" and "non-current":

a) Current Employee benefits: 3,274.0 kEUR in 2021, a decrease of around -6.8% as compared the value of 3,511.1 kEUR recorded at 31.12.2020; they represented 8.8% of the Total Liabilities;

b) Non-Current Employee benefits: 7,678.1 kEUR recorded at in 2021 as compared to the value of 8,586.0 kEUR recorded at 31.12.2020 (-10.6%). they represented 20.7% of the Total Liabilities.

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

NET ASSETS

65. Net Assets of the Organization at year-end comprised: *i*) accumulated surpluses and deficits; *ii)* Reserves; *iii)* Surplus/Deficit of the year (5,310.6 kEUR). In 2021, Net assets resulted in a positive value of 34,699.9 kEUR, with an increase of 3,669.1 kEUR (+11.8%) as compared to 31.12.2020 (31,030.8 kEUR); details are shown in Statement III.

66. We highlight that Management explained in Note 19 the reason for the increase of the surplus of the year 2021.

STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 31.12.2021

67. 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 5,310.6 kEUR.

REVENUES

68. Total Revenues amounted to 26,702.7 kEUR in 2021, with an increase of 855.8 kEUR (+3.3%) compared with 25,846.9 kEUR at 31.12.2020, and was composed of:

a) "Voluntary Contributions", totalling 24,567.4 kEUR in 2021 and representing 92.0% of Total Revenues; they increased by 7.7% (+1,753.6 kEUR) comparing to the previous year (22,813.8 kEUR);

b) "Assessed contributions", totalling 1,042.9 kEUR in 2021 and representing 3.9% of Total Revenues; they decreased by 18.2% (-231.6 kEUR) compared with the previous year (1,274.5 kEUR);

c) "Revenue-producing activities", totalling 464.5 kEUR in 2021 and representing 1.7% of Total Revenues; it increased by 59.1% (+172.6 kEUR) compared with the previous year (291.9 kEUR);

d) "Financial Revenue", totalling 384.1 kEUR in 2021 and representing 1.4% of Total Revenue; they decreased by 14.4% (-64.5 kEUR) compared with the previous year (448.6 kEUR);

e) "Other revenue", totalling 243.7 kEUR in 2021, and representing 0.9% of Total Revenue; it decreased by 76.1% (-774.4 kEUR) compared with the previous year (1,018.1 kEUR).

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

EXPENSES

70. Total Expenses amounted to 21,392.1 kEUR, with an increase of 108.8 kEUR (+0.5%) as compared with 21,283.3 kEUR at 31.12.2020 and were composed of:

a) "Wages, salaries and employee benefits", totalling 11,777.8 kEUR in 2021, representing around 55.1% of Total Expenses; they increased by 4.0% (454.1 kEUR) compared with the previous year (11,323.7 kEUR);

b) "Travel and DSA", totalling 253.6 kEUR in 2021 and representing around 1.2% of Total Expenses; they increased by 28.3% (+55.9 kEUR) as compared with the previous year (197.7 kEUR);

c) "Supplies and consumables", totalling 3,814.7 kEUR in 2021, and representing around 17.8% of Total Expenses; they increased by 13.3% (+448.9 kEUR) compared with the previous year (3,365.8 kEUR);

d) "Currency exchange differences", totalling 452.8 kEUR (corresponding to a profit in the exchange activity of the year); it amounted to 1,981.6 kEUR in 2020 (corresponding to a loss in the exchange activity of the year 2020);

e) "Depreciation and amortization", totalling 1051.4 kEUR in 2021 and representing around 4.9% of Total Expenses; they increased by 22.8% (+195.2 kEUR) as compared with the previous year (856.2 kEUR);

f) "Employee Benefits provisions reconciliation", totalling 107.9 kEUR in 2021 (-264.5 kEUR in 2020); 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 1,943.7 kEUR in 2021 (1,223.3 kEUR in 2020) and representing around 9.1% of Total Expenses;

h) Utilities & Premises", as reported in Note 21.7, totalling 2,895.8 kEUR in 2021 and representing around 13.5% of Total Expenses; they increased by 11.4% (+296.3 kEUR) as compared with the previous year (2,599.5 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".

71. A detailed breakdown of the Expenses was disclosed by Management in Note 21.

Human Resources expenses

72. We have performed a recalculation of the correctness of a sample of payslips and we have not identified major issues.

Minimising risks of paying undue allowances

73. During our audit we have observed that certain allowances requested by staff were not easy to be controlled effectively by HR management, which had to rely on self-declaration and/or documents provided by staff that the Centre cannot investigate because they are issued from Member States. This exposes the Centre to risks of paying undue allowances.

Recommendation 1

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, we recommend 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).

Comments by Director-General

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.

Enhancing controls over external activities

74. HR management illustrated to us that in order to carry out external activities, staff should fill in a declaration that has to be approved by the DG. These declarations are then sent to HR and Personnel's office to keep them in the staff files. HR management concluded to us that they will not know about the external activities unless a declaration is done.

75. During our audit we found that there are no specific instructions on how, who and to what extent HR, or any other service, has to control these declarations, and, more important it is also difficult to ascertain whether staff are receiving other revenues from other works or academical activities, if not clearly declared by the same beneficiaries. We consider that this risk merits to be mitigated.

Recommendation 2

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, <u>we recommend</u> 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 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

Comments by Director-General:

We take note of the recommendation and will take action to implement it.

STATEMENT OF CHANGES IN NET ASSETS FOR YEAR ENDED 31.12.2021

76. The Statement III, “Statement of changes in net assets”, shows movements during the year 2021, ending in a positive value of the net assets, amounting to 34,699.9 kEUR at 31 December 2021.

Recommendation 3

In order to enhance the level of information that Statement III should provide to Member States, we recommend 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.

Comments by Director-General:

We acknowledge recommendation and shall implement what requested

CASH FLOW STATEMENT FOR YEAR ENDED 31.12.2021

77. 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.

78. In 2021 ICGEB reported a positive cash flow of 5,507.6 kEUR from operating activities, whilst the Net cash flows from investing activities were positive (+1,072.5 kEUR). The net result in Cash and cash equivalents showed a positive value of 28,511.0 kEUR in 2021 (a positive value of 21,930.9 kEUR in 2020).

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 31.12.2021

79. Statement V, “Comparison of budget and actual amounts for the year ended 31 December 2021”, 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

80. 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.

81. We received from OIA, information on all his Internal Audit Observations relating to 2021, 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. In relation to one recommendation on OIA's issues, we have been informed by the Internal Auditor that the DG will duly consider it in future exercises. In any case it is worthwhile mentioning that all Internal Audit's Observations were submitted to the DG and accepted.

FOLLOW-UP TO OUR RECOMMENDATIONS

82. 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.

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

ANNEX I- Follow-up to our recommendations issued in our reports for financial years from 2015 to 2020

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Rec. 1/2015	Codified written procedures over accounting processes were implemented partially or in a limited manner. We recommend Management to continue the efforts to define a comprehensive set of written procedures shared, agreed and respected by all the ICGEB's Components and monitored by a unique Focal Point appointed by Management.	Due note has been taken of this recommendation. The effort of preparing shared policies and procedures on several issues has already been started and will continue. The majority of the procedures will be shared and respected by all of the ICGEB Components. Certain procedures are strictly connected to the geographical nature of the components and therefore Management will make sure are written and respected for those specific component. The finalization of procedures with regards to the accounting processes depends on the full implementation of the ERP, which is still undergoing customizations. Full implementation of the shared policies and continued adherence to them will be monitored by an appointed focal point, as recommended.	The implementation of the ERP is concluded and the IPSAS Manual Policy and Procedures formalising the procedures with regards to the accounting processes of the ICGEB has been issued (see also reply to Rec.no. 1/2016).	CLOSED External Auditors will analyse IPSAS Manual in next fiscal years.

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Rec. 1/2016	In case of change of accounting software, we renew our recommendation (1/2015) to define codified written procedures over accounting processes before the implementation of the new ERP, in particular we recommend Management to dedicate adequate resources to the transition from "Metodo" to the new accounting software, with suitable security backup facilities and appropriate disaster recovery plan, in order not to lose relevant accounting information.	Due note has been taken of this recommendation. During the course of 2016, workflow for the three major areas, namely Employee benefits, PP&E and Revenue were codified, written and shared within the organisation. These workflows will be elaborated along with other areas, into procedures, taking into account the functions offered by the new ERP, in order to limit customizations and costs. Regarding the security backup facility and disaster recovery plan, the ICGEB will make sure that these aspects are included in the proposal/contract with the ERP provider, which is currently in the initial phase of negotiation.	The workflow of all accounting procedures has recently been codified in an internal document comprising the IPSAS standard reference, its interpretation and the corresponding ERP adopted procedure. The document, created with the input of the three Components, was circulated internally in December 2021 and issued in March 2022. With regard to the security, the new ERP is a cloud-based solution, with redundant data back-up over physically distant Azure data centres based in Europe. The solution implemented supports Recovery Point Objective (RPO) maximum 1 day and 2 days Recovery Time Objective (RTO).	CLOSED
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", we recommend Management to prepare a procedure, at least for highly valued technical tools, that will establish clear and consistent criteria amongst Components on how to estimate newly the useful life, reassessing the value of assets fully depreciated but still in use, also repaired and still working.	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.	Due note has been taken of this recommendation. Management reviewed and adjusted the useful life of the assets. This would be now reflected in a procedure, to be issued and implemented by end of 2022.	ONGOING

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
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, we recommend 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 confirmed and renewed its efforts to enable the External Auditors to receive in a timely manner the balances of ICGEB accounts from Banks.	ONGOING

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
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, we recommend 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.	CLOSED As indicated in comments to Recommendations for the year ending 31.12.2019: "One of the priority areas of the Chief of External Relations has been to strengthen relationships with member countries, also with the aim of ensuring the payment of the A/Cs". This increased communication and engagement of Member States resulted in the payment of arrears in 2020 and in 2021. Efforts will continue toward the full recovery of the due arrears but we consider that Management has taken and developed a strategy to recovery the unpaid sums.	ONGOING

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Rec. 1/2018	We acknowledge the fact that the new SAP Module PSM has enhanced the level of internal control at ICGEB, also through an automatic block of every expenditure not covered by related budget appropriations. However, in particular in relation to the External Funds budget, we recommend Management that, in order to guarantee an enhancement of the internal control system and homogeneous entries within all the three Components, for the new projects starting in year 2018, the one person designated by Management approves the consistency of their budget structure in SAP with what stated in the relative contract.	We confirm that according to the ICGEB Governance structure, the Director General will ask the Directors of the Components to ensure that the relevant administrative officers approve the consistency between the budget structure in the ERP with the specific content of the contracts, in particular as for as the projects starting in 2018 and funded by External funds are concerned.	CLOSED To further enhance the consistency between the budget structure in the ERP and the specific content of the contracts of the External Funds, the following actions have been taken in 2021: - A SAP enhancement of the Grants Management module occurred in July 2021, which aligned the grants information between SAP and other subsystems. - The relevant processes have been documented in the IPSAS Accounting manual released in December 2021. - Workshops with the components on the application on the above have been carried out during the whole of 2021.	CLOSED
Rec. 2/2018	In consideration that, during our audit, obsolete items were still recorded at a given value, we recommend to Management updating the inventories as to reflect the fair value of the items in stock.	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 items for obsolescence. In the framework of the year-end 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.	ONGOING

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
(Rec. 3/2018)	*(According to our findings, detected during our audit of the assets recorded in the register, we recommend that Management: (i) correctly record all the items in control of ICGEB, according to IPSAS 17, in the register and (ii) purchase any assets through the "Procurement Unit" following all the steps provided in the ICGEB Procurement Manual.)*	*(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)* *(We confirm that processes and activities have been implemented and are now closely monitored.)*	ONGOING
Rec. 4/2019	According to our findings detected during our audit of the assets recorded in the register, we renew our recommendation 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.	Management confirms that improvements have been made to close this recommendation. Asset Management has been enhanced during the Covid-19 pandemic period, with the acquisition of the software InventoryTM. This has increased the accuracy of recording, allowed the replacement of obsolete labels with new RFID tags and the automation of the annual physical floorto-register verification. Each RFID tag also contains a barcode to overcome any radio interference problem and/or act as a safety net in case the RFID signal deteriorates over the years. Data integration between InventoryTM and UNPath has been granted through customization of a SAP transaction for massive asset updates. After a running-in phase, the set up could be made available to the entire organization.	

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
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. We therefore recommend to Management, also for assuring homogeneity across Components, having a standardised form, where the detailed objectives and logistical specifications, related to the hosting of the workshop itself, could be indicated. In this way, even the competitive process to be maintained in the choice of venues, hotels and/or travel Agents might result in more effective and in compliance, when needed, with the ICGEB Procurement rules.	Management acknowledges recommendation and assures efforts will continue to increase homogeneity across the Components.	Management confirms ongoing efforts to increase homogeneity and to adopt standardised procedures for the three Components by the end of 2022.	ONGOING

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Rec. 1/2019	We acknowledged that a deposit account was closed in New Delhi without a Director-General's direct approval. ICGEB Financial Regulations foresee a detailed process for opening and closing bank accounts, specifying obligations that have not been correctly followed. Considering also that a specific internal process and/or procedures on opening and closing accounts have not been codified, we recommend to establish such a process.	We acknowledge the recommendation. We confirm that Management is preparing the relevant policy aiming to complete it by the end of financial year 2020.	CLOSED The processes on opening and closing accounts have now been codified in the IPSAS accounting manual under Chapter V: Financing, Financial Instruments and Foreign Exchange – Sub-chapter: Custody of Funds and Internal Controls.	CLOSED External Auditors will analyse IPSAS Manual in next fiscal years.
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 we recommend 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.	Management acknowledges the recommendation and confirms that in 2022 the process of implementing the full stock management in SAP for the New Delhi Component will be initiated.	ONGOING

N.	Recommendation raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Rec. 1/2020	We were informed by Management that the account whose balance is missing in the bank confirmation received, is actually not utilised ("dormant") from a long time and used only for emergency purposes. However, we recommend Management to follow-up this issue with the bank that have to declare all the accounts in a new bank confirmation.	We acknowledge the recommendation. We confirm that Management is following-up with the bank to provide a new bank confirmation including all the accounts.	CLOSED The “dormant” bank account is closed as at 31/12/2021.	CLOSED

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

N.	Suggestion raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
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, we suggest 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.	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, we suggest Management to consider whether it is appropriate or not, subject to cost/effectiveness evaluation, to have a warehouse in each of the three Components, in particular with regard to consumables financed through specific project funding.	Due note has been taken of this suggestion. Management has already started a process to evaluate the cost-effectiveness of creating a warehouse in all the three Components, especially concerning consumable items. This analysis will take into account the necessity to devote specific budgetary and personnel resourced to the task, as compared to the amounts of residual inventories involved.	Management acknowledges the suggestion and confirms it will continue the relevant evaluation, although some actions will be initiated during the 2022, as reported in the ICGEB reply to Rec. 3/2019.	ONGOING

N.	Suggestion raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Sugg. 7/2015	We acknowledge the effort of management in implementing a written procedure over "grants"; however, due to the different accounting treatment requested by IPSAS over grants classified as with "conditions" or as with "restrictions", we suggest that, once an assessment is performed by a Component, the classification is revised by a centralized unit before entries are booked.	Due note has been taken of this suggestion. Management has already taken the necessary steps in this direction. The action will continue until completion.	CLOSED As reported in the ICGEB reply under Rec. 1/2018 Management put in place relevant actions to close the suggestion	CLOSED

N.	Suggestion raised by Italian Court of Audit	Comments received from Director-General at the time of the issuance of our report	Comments of ICGEB Management on the status at 31.12.2021	Status on actions taken by Management as evaluated by Italian Court of Audit at 31.12.2021
Sugg. 1/2018	In order to proactively predict potential serious shortcomings in the accounting entries in the software which might require specific customization from the IT developer company, we suggest that Management prepare, after the closing of the Financial Statements, a document where all the potential areas, that might require additional customization, are listed, specifying: i) potential costs, ii) cost-effectiveness of a potential customization, iii) prioritize the essential ones. In this case Management will be aware of what possible cost might be bearable in the comings years and could prepare a timely action plan to solve shortcomings.	The Management shares the content of the suggestion outlined in the External Auditors' letter and confirms that all appropriate measures shall be implemented.	CLOSED Management implemented in 2021 a centralized document capturing all Systems requirements, showing priority, status and focal point for each area of improvement.	CLOSED