



ORGANISATION DE L'AVIATION
CIVILE INTERNATIONALE

INTERNATIONAL CIVIL
AVIATION ORGANIZATION

Internal Audit Report on Staff Benefits and Entitlements

IA/2022/6

Office of Internal Oversight

ACRONYMS

ADB	Bureau of Administration and Services
AI	Administrative Instruction
CEB	UN System Chief Executives Board for Coordination (CEB)
ERP	Enterprise resource planning
ERM	Enterprise Risk Management
FIN	Finance Branch
GS	General Services
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICSC	International Civil Services Commission
LEB	Legal Affairs and External Relations Bureau
OIO	Office of Internal Oversight
OSG	Office of the Secretary General
SEA	Staff Employment and Administration Section
SRR	Staff Regulations and Rules
UNJSPF	United Nations Joint Staff Pension Fund

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EXECUTIVE SUMMARY

1. As part of its annual work plan for 2022 (C-WP/15270), the Office of Internal Oversight (OIO) carried out an audit on staff benefits and entitlements. The objectives of this audit were to (a) Review the governance, risk management, and internal controls around the management of staff benefits and entitlements; (b) Assess compliance with Staff Rules and Regulations, and related procedures; and (c) Assess effectiveness and adequacy of tools and systems used to support the management of staff benefits and entitlements. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing¹.
2. The OIO noted the following positive developments in the management of staff benefits and entitlements:
 - The ICAO Staff Regulations and Rules (SRR) and Personnel Instructions (PI) are aligned with the UN Common System of Salaries, Allowances and Benefits, as published periodically by the International Civil Services Commission (ICSC).
 - Due to lack of digitization of documentation, and in order to continually provide entitlement related services to staff members in 2020 and 2021, the staff of SEA physically attended office during the entire period despite health risks posed by COVID-19 pandemic.
3. Based on the sample of payments tested, control of payments of staff benefits and entitlements were found to be generally effective and compliant with ICAO rules and regulations, and supported by appropriate documentation.
4. ICAO Personnel records are primarily maintained in paper format. This could lead to increased operational risks such as loss of key documents as a result of a fire or human error or ill-intention acts. Integrating a work process of digitizing of personnel records as part of digital transformation project, need to be considered as a priority to mitigate all the relevant risks and enhance efficiencies in the process of settling claims and opportunities to further streamline the business process. Moreover, business continuity will be ensured even if the record room is inaccessible or records are accidentally destroyed.
5. There will be substantial efficiency gains by automating workflows, especially in those cases where the number of submissions are high, e.g. dependency allowance and rental subsidy applications. The claims are processed manually at present. Automation of processes and online submission of various forms will facilitate better analysis of aggregate information submitted by staff members, validation of submitted information, strengthening of controls to prevent and deter fraud and efficiency in processing of claims.
6. OIO noted that following the International Air Transport Association (IATA) announcement in 2017, to rescind the full fares with effect from October 31, 2018, ICAO adopted a new benchmark to replace the IATA fares as the basis of the Home leave lump sum calculation. ICAO restricted the calculation of lump sum benefit for home leave to "lowest unrestricted full fare regular economy", lump sum option being at 55%² of the base fare. OIO checked a sample of such calculations and noted that the calculations are correctly made by Travel Unit on the basis of YR fares of the airlines.
7. There are opportunities to enhance the management of non-monetary benefits and entitlements related to alternative work arrangements. The existing ambiguities in the guidelines on transition to work place should be clarified in any future comprehensive flexible working arrangement instructions and/or policy, already planned by ADB to replace the existing guidelines.

¹ IIA Standard 1321

² It was reduced from 65% to 55% in 2013 taking into account the budgetary constraints faced by ICAO, Staff Notice 5452 dated 18 January 2013

8. Based on the results of the audit, OIO has given an overall rating of 'Some Improvement Needed'. This report has made two high priority recommendations and one medium priority recommendation. These include digitization of paper based personnel records, developing work flow solutions for administering different staff benefits and entitlements, and updating the guidelines on transition to workplace. Management accepted these recommendations. Management comments and proposed actions to implement the recommendations are detailed in the Management Action Plan at Annex 2.
9. OIO wishes to thank management and staff for their assistance and cooperation during the audit.

RESULTS OF THE AUDIT

Introduction

10. The benefits and entitlements are provided to eligible staff members as part of their Conditions of Service as outlined in, among others, ICAO's Staff Regulations and Rules, Personnel Instructions and staff notices. The staff benefits depend on such factors as the category to which a staff member belongs (Professional or General Service), the type of appointment held (temporary, fixed term, or continuing), and the family status.
11. The Staff Employment and Administration (SEA) section, under ADB, is responsible for processing all claims of benefits and entitlements including for those staff members posted in Regional Offices. Apart from Chief, SEA, there is one professional staff and three³ GS staff members responsible to process claims of benefits and entitlements.
12. The benefits and entitlements provided to different categories of ICAO staff members are aligned with the UN Common System of Salaries, Allowances and Benefits, as published periodically by the International Civil Services Commission (ICSC). The total expense of the Organization under various categories of benefits and entitlements covered by this audit is CAD 19.33 million⁴ for the period 2019-2021:

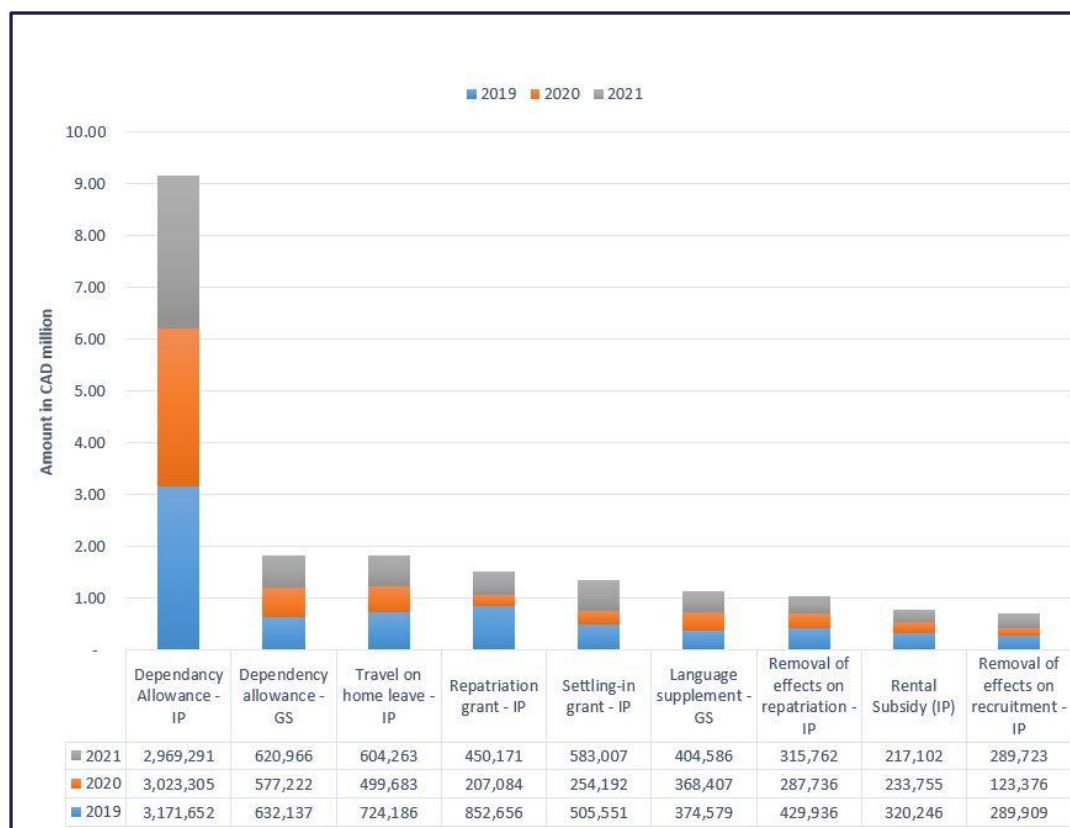


Table 1: Expenditure under various categories of staff benefits and entitlements covered by audit

³ One out of three GS staff members is also responsible for processing the cases of consultants' hiring.

⁴ 9.16 million CAD on dependency allowance (IP), 1.83 million CAD on dependency allowance (GS), 1.83 million CAD on home leave travel, 1.5 million CAD on repatriation grant benefit, 1.34 million CAD on settling-in-grant, 1.15 million CAD on language supplement benefit, 1.03 million CAD on removal of effects on repatriation, 0.77 million CAD on rental subsidy, and 0.70 million on removal of effects on recruitment.

Audit Objectives and Scope

13. The objectives of this audit were to:
 1. Review the governance, risk management, and internal controls around the management of staff benefits and entitlements;
 2. Assess compliance with Staff Rules and Regulations, and related procedures; and
 3. Assess effectiveness and adequacy of tools and systems used to support the management of staff benefits and entitlements.
14. The scope of this audit included monetary benefits and entitlements: dependency allowance, language allowance, removal of effects on recruitment, and on repatriation, rental subsidy, repatriation grant, settling-in grant, and travel on home leave. The non-monetary staff benefit of remote working from a non-commutable distance, allowed as per guidelines on transition to work place, was also covered in audit.
15. Benefits related to overtime, special post adjustment allowance, representational allowance, and compensation payments were excluded from the scope of this audit. The education grant entitlement and medical insurance coverage were also excluded from the scope of this audit as both were covered in recent separate audits. This is not a payroll audit and therefore the scope also excluded the salary payments and pension contribution to United Nations Joint Staff Pension Fund (UNJSPF).
16. The audit covered the period January 2019 through December 2021 for the monetary benefits and entitlements. An expenditure of CAD 2.89 million out of a total of CAD 19.33 million (14.9%) was audited and checked in sample testing. For remote working arrangements, the scope of the audit covered the period until 31 October 2022.
17. This audit was conducted using data analytics tools, for analysing relevant information in Unit4 ERP system on staff benefits and entitlements. Sample testing of statistically selected transactions was carried out to assess compliance with relevant ICAO rules and procedures and accuracy and completeness of documentation. Interviews with key staff were held to clarify and gain better understanding of the governance, risk management and control environment around the processing of claims submitted by staff members.

Audit Findings and Recommendations

Governance and Risk Management

18. SEA section is responsible for the administration of staff benefits and entitlements. As per Delegation of Authority approved by the Secretary General in 2017 and further amended in 2022, the personnel actions with regard to staff benefits and entitlements are delegated and exercised by the Chief, SEA. For administering staff benefits and entitlements, Chief, SEA is assisted by one professional staff member and three GS staff members⁵. OIO found that staff members have good knowledge of the Staff Regulations and Rules and Personnel Instructions and apply these provisions correctly.
19. In order to continually provide services to staff members in 2020 and 2021, the staff of SEA physically attended office in ICAO despite health restrictions posed by COVID-19 pandemic. This was also aligned with the UN practice as the staff dealing with benefits and entitlements was considered as critical staff⁶. OIO notes that during this period SEA staff continued to attend the office on all working days as critical staff, exposing themselves to substantial health risks posed by COVID-19, in order to provide time sensitive services and facilitate payments of benefits and entitlements due to staff members.

⁵ One out of three GS staff members is also responsible for processing the cases of consultants' hiring.

⁶ The Framework for the management of staff members in UN Common System, CEB Human Resource Network, February 2020

20. Physical attendance of entire SEA staff was necessitated because (i) the personnel files of about 3000 serving and retired staff members are maintained physically in a paper format in SEA record room and SEA staff needed to access the physical records at Headquarters for processing claims, and (ii) most claims are submitted using a physical form and not facilitated by an automated online workflow solution.
21. SEA can benefit from digitizing the personnel records as digitization will bring efficiencies in process of settling claims and opportunities to analyze the metadata of digitized data to identify red flags and fraud indicators. Moreover, business continuity will be ensured even if the record room is inaccessible or records are accidentally destroyed. Initiatives to digitize the personnel records including medical records were started in 2019 but these initiatives had to be put on hold because of COVID-19 pandemic.
22. In the corporate risk register, this risk⁷ has been identified as a major risk at enterprise level i.e. insufficient centralized document management/storage process resulting in loss of original documents if there is a fire/theft at ICAO.

Recommendation 1	Digitization of personnel records
Priority	High
ADB should establish a clear timeline and prioritize developing a business case and implementing the digitization of personnel records as part of digital transformation projects.	
Closing criteria:	
Development of a project plan including timelines, a business case, and implementation of work related to digitization.	

Workflow automation

23. A workflow to receive education grant entitlement applications was introduced in 2021, which was a positive development. Staff members submit manual applications in respect of other benefits and entitlements (e.g. Form 133 for dependency allowance and Form 187 for rental subsidy applications).
24. The triennial operating plan of the Organization for the period 2023-2025 mandates to achieve efficient HR services in a simplified, timely and cost effective manner, including automation of HR business processes on the administration of staff contracts, benefits and entitlements, social security entitlements and health services⁸.
25. There will be substantial efficiency gains by automating workflows especially in those cases where the number of submissions are high e.g. dependency allowance and rental subsidy applications. The claims are processed manually at present. Automation of processes and online submission of various forms will facilitate better analysis of aggregate information submitted by staff members, validation of submitted information, strengthening of controls to prevent and deter fraud and efficiency in processing of claims.
26. ERP solution in ICAO is being redeveloped as one of the signature projects of the digital transformation. This provides an opportunity and SEA's automation requirements for administration of all kinds of staff benefits and entitlements should be included in the requirements analysis of the new HR module of the upcoming ERP solution.

⁷ Risk # 15

⁸ Supporting Strategy 4.1

Recommendation 2	Workflow automation
Priority	High
ADB should develop business case and requirements for workflow automation for administration of staff benefits and entitlements and include this in the scope of the signature project related to redevelopment of ERP solution of ICAO.	
Closing criteria:	
Identification and inclusion of requirements analysis within the scope of new ERP solution of ICAO.	

Inherent vulnerability to errors and frauds

27. ICAO's Council approved Anti-fraud and anti-corruption Policy in 2021, which advocates for zero tolerance of fraud, provides guidance to deter fraud and corruption and outlines responsibilities of both staff as well as managers in this regard.
28. The activity related to processing of claims is susceptible to errors and frauds as most of the entitlements calculations are based on the information provided by the claimants. There are possibilities of unintentional errors or frauds if a staff member provides false or incomplete information in various forms.
29. OIO also observed that all the claim forms (Form 133 for dependency allowance, Form 135 for education grant and Form 187 for rental subsidy application, etc.) contain a mandatory declaration and certification by the staff members about the correctness of information furnished.
30. Staff Rule 101.19 further outlines that a staff member shall be held personally accountable for the accuracy and completeness of information that staff member provides. In SEA knowledge, there was no reported case of any fraud related to entitlements in last five years.

Dependency Allowance

31. Staff members in the Professional and higher categories are entitled to dependency allowances⁹. The amount and conditions of these allowances are determined in accordance with the conditions and methodology established by the International Civil Service Commission (ICSC). For eligible staff members in the General Service category, the allowances are determined in accordance with the methodology established by the International Civil Service Commission. Every year, SEA issues a staff notice inviting staff members to submit a status report and application for dependency benefits (Form 133).
32. An eligible staff member in the Professional and higher categories with a recognized dependent spouse, is paid a dependent spouse allowance amounting to six per cent of the net base salary, plus post adjustment. A claim in respect of a dependent spouse is based on spouse's earnings during each calendar year, provided such earnings are below the established limits. Staff claiming dependency benefits are required to support such claims by providing satisfactory documentary evidence as indicated in Staff Rule 103.12 and Personnel Instruction 3.13.
33. A claim for dependency allowance in respect of dependent children is admissible when staff member provides the main and continuing support, provided that the child is under 18 years of age or, in full time attendance at a school or University (or similar institution) under the age of 21 years. Payment of dependency allowance in respect of a child between 18 and 21 years of age is suspended during the summer break but is authorized retroactively once documentary evidence is provided confirming the dependent child has registered for the following fall semester. SEA uses Unit4 ERP reporting mechanism to review the eligibility status of dependents and payments in respect of child dependents who turn 18

⁹ Staff Regulation 3.13 and 3.14, Staff Rule 103.13, Personnel Instruction 3.13

are automatically stopped unless documentary evidence is produced by staff member meeting the eligibility requirements.

34. In the period 2019-2021, an amount of CAD 10.99 million was disbursed to 541 eligible staff members¹⁰. OIO selected a sample of 26 high value cases out of 541 (4.8%) involving an expenditure of CAD 1.02 million out of CAD 10.99 million (9.3%). All the cases were processed correctly on the basis of information provided by staff members.
35. The testing sample showed that controls around processing of dependency allowance were satisfactory and SEA staff exercised caution and due diligence.

Home leave travel

36. Internationally recruited staff members are entitled¹¹ in the third year of service, and once in every second calendar year thereafter, to visit their home country and to receive travel expenses, for the purpose of spending in that country a substantial period of annual leave.
37. Staff Rule 107.1 provides that staff members have the option of a lump sum payment instead of travel tickets to be organized by the Travel Office, which is based on 55% of the full economy fare. OIO noted that following the IATA announcement in 2017, to rescind the full fares with effect from October 31, 2018, ICAO adopted a new benchmark to replace the IATA fares as the basis of the Home leave lump sum calculation and restricted the calculation of lump sum benefit for home leave to "lowest unrestricted full fare regular economy¹²".
38. OIO was informed that the Chief Executives Board (CEB) of United Nations is deliberating this issue for finalization of the base fare calculations. ICAO should align its practices according to the decisions that may be taken by ICSC in this regard on the basis of CEB's recommendations.
39. In the audit period (2019-2021), 277 staff members availed home leave which costed ICAO an amount of CAD 1.82 million.
40. OIO verified a sample of 10 staff members out of 277 (3.6%) who availed lump sum option, covering an expenditure of CAD 74653 out of a spending of CAD 1.82 million (4.1%). OIO verified in these cases that ICAO restricted the calculation of lump sum benefit for home leave to "lowest unrestricted full fare regular economy", lump sum option being 55%¹³ of the base fare.
41. Despite the above, while the provisions of home leave entitlement of internationally recruited staff members do not apply if the services of staff member are not expected to continue outside the home country for at least six months after return from such leave¹⁴, exceptions were granted by the Secretary General in two cases in 2022.

Rental Subsidy

42. The purpose of rental subsidy is to facilitate the settlement of new staff members and to encourage mobility within the common system by subsidizing the rental costs of eligible staff members. Staff Rule 103.5 on rental subsidies and deductions stipulate the eligibility requirements as well as terms and conditions of the scheme applicable to different duty stations. Between 1 January 2019 and 31 December 2021, ICAO paid rental subsidy totaling CAD 771,103 for 72 staff members. OIO selected a sample of 10 high value cases out of 72 (13.9%) and verified expenditure of CAD 201,535 (26.1%).

¹⁰ 336 Professional and higher staff members and 205 GS staff members

¹¹ ICAO's Staff regulations 5.11, 5.12, 5.13, 5.14, Staff Rules 105.11, 107.1 and Personnel Instructions 7.1

¹² YR fares or equivalent if YR fares are not available

¹³ It was reduced from 65% to 55% in 2013 taking into account the budgetary constraints faced by ICAO, Staff Notice 5452 dated 18 January 2013

¹⁴ Staff Regulation 5.12

43. OIO noted that staff members attach copies of signed lease agreements and first rental receipt or other proof of payment such as bank statements in support of rental subsidy claims. Staff are additionally required to attach their original electricity bills. The 10 cases reviewed complied with the requirement to attach all stipulated supporting documents in support of rental subsidy claims. The results of the tests made on the sample supported the effectiveness of the controls over administration of rental subsidy by SEA.
44. In three cases out of 10, lease documents did not show the costs for garage, which is otherwise an inadmissible item for calculating rental subsidy. The risk pertains to insufficient information in the lease agreements to verify whether all extras/service charges were considered.

Settling-in Grant

45. The purpose of settling-in grant, previously known as assignment grant, is to provide eligible staff members with a reasonable amount of cash for relocation on initial appointment, assignment, or transfer to a duty station. It is the total compensation payable by ICAO for the costs incurred by the eligible staff member and her/his family members as a result of an appointment, assignment or transfer involving relocation, as well as any pre-departure expenses that the staff member may incur.
46. The settling-in grant is regulated in ICAO through provisions contained in Staff regulation 3.11, Staff Rule 103.11 and Personnel Instructions PI 3.11. Between 1 January 2019 and 31 December 2021, ICAO paid CAD 1.34 million towards settling-in grant to 88 newly appointed staff.
47. OIO selected 10 cases out of 88 (11.4%) and verified expenditure of CAD 399,434 (29.7% of CAD 1.34 million). The audit confirmed that the staff were eligible, that their relocation involved travel, and that a full year was completed. Recoveries of settling-in grant were made in respect of staff members not completing a full year. OIO therefore concluded that the results of the tests carried out for this sample supported the effectiveness of the controls over administration of the settling-in grant.

Removal costs on recruitment

48. On appointment, transfer or separation from service, a staff member recruited internationally and holding a fixed-term or a continuing appointment shall be entitled to payment of the costs of removal of the staff member's household goods and personal effects in accordance with the conditions established by the Secretary General in the Staff Rules, taking into account the best practices of the United Nations Common System¹⁵.
49. Staff Rule 7.12 further provides that internationally recruited staff members can avail the lump sum option established at 70% of the actual cost of relocation shipment not exceeding USD 18,000.
50. In the period 2019-2021, 63 new staff members who were entitled for removal of effects on recruitment were paid CAD 703,008. OIO selected a sample of 10 cases (15.9%) and verified payments amounting to CAD 133,200 (18.9%).
51. The tested sample results supported the effectiveness of the controls for administering removal benefits.

Repatriation Benefits

52. Repatriation benefits¹⁶ fall into various categories including repatriation grant, costs of relocation shipment on repatriation and repatriation travel on separation from the Organization.
53. In the audit period (2019-2021), 52 staff members received repatriation grant amounting to CAD 1.5 million out of which 10 cases (18.9%) were verified in audit covering CAD 748,860 (49.6%) and

¹⁵ Staff Regulation 7.12

¹⁶ Staff regulation 7.12, 9.21, Staff Rules 107.12, and 109.21.

it was found that calculations towards repatriation grant were correct and related controls are satisfactory.

54. Costs for relocation shipment were paid (either on actual basis or lump sum) in respect of 62 cases involving CAD 1.03 million. A sample of 10 cases (16.1%) representing CAD 204,482 (19.8%), was verified in audit. The processing of these cases was satisfactory and as per rules and procedures stipulated.
55. ICAO rules do not provide for exercising the lump sum option for repatriation travel. The travel tickets are provided by Travel Unit. However, exceptions were granted in two cases during the audit period. Staff Rule 107.1 in respect of lump sum allowance for home leave travel clearly specifies that lump sum option once exercised is irrevocable and no subsequent changes will be permitted once exercised by the staff member. In one of the two cases, where exceptionally a lump sum option was allowed for repatriation travel, changes were further allowed at a later stage at the request of staff member and the claim was retroactively settled on basis of actual expenditure on tickets purchased by the staff member.

Language Allowance

56. Language allowance is governed by Staff Regulation 3.20 and Staff Rule 103.20. During the period under review, language allowance was paid to 239 staff members involving CAD 1.14 million. OIO reviewed relevant data, in the Unit4 system, for a randomly selected sample of 15 out of 239 (6.3%) staff members who received language allowance in the audit period. The tested sample results supported the effectiveness of the controls around sanction of language allowance.

Remote working arrangements

57. Guidelines on transition to workplace were issued on 1 April 2022 to prescribe hybrid work arrangements and other work options available to ensure a gradual transition to the workplace. With the introduction of these guidelines, the earlier alternate work arrangements (AWA) in place during COVID-19 pandemic were withdrawn and all personnel previously authorized to telework outside the duty station under AWA guidelines were advised to return to the workplace no later than 2 May 2022. Guidelines on transition to workplace also allowed personnel to telework up to three weeks per calendar year from outside commuting distance of the duty station, subject to approval from the responsible managers.
58. OIO analyzed the Unit4 data of all staff members who teleworked from outside commuting distance of the duty stations in the period from 1 April 2022 till the end of October 2022. Seventy one staff members opted for teleworking from a non-commutable distance from duty stations. Though, the guidelines prescribe a limit of three weeks of teleworking in a calendar year, 16 out of 71 staff members (22.5%) were authorized to telework for more than the prescribed 15 working days. This included five staff members who were permitted to telework for more than 50 working days. While there might be justified reasons for exceptionally allowing teleworking beyond the prescribed limits in these 16 cases, the proportion of such exceptions was high.
59. Granting too many exceptions is indicative of rules not being applied in a consistent and equitable manner increasing the confusion when it comes to the appropriate application and interpretation of Staff Rules and Regulations.
60. The April 2022 guidelines on transition to workplace are ambiguous in two respects: (i) whether the three week period allowed for teleworking reckons to 15 working days or 21 working days of telecommuting, and (ii) whether the limit of three weeks in a calendar year takes into consideration the teleworking days already availed by staff members in first quarter of 2022 before introduction of the guidelines on 1 April 2022. ADB already planned to introduce comprehensive flexible working arrangement instructions and policy, which will replace the existing guidelines hopefully addressing these ambiguities from the existing guidelines.
61. Also, the present guidelines are silent about making adjustments to the payments and accrual of benefits and entitlements that require physical presence at the official duty station. As the present, limit

of three weeks of teleworking is exceeded in sixteen cases and exceptions were granted, it is important that any new revised guidelines adequately cover the aspect of adjustments to benefits and entitlements if teleworking away from duty station exceeds a particular limit.

62. There is a risk that Bureau Directors or responsible managers may not inform HR about the teleworking approvals granted by them to staff members. Though clearly specified in the current guidelines¹⁷ that responsible managers should keep the HR informed about approvals of remote working arrangements, OIO found two instances where HR was not kept informed and as a result, Unit4 data was incomplete to some extent.

Recommendation 3	Remote working arrangements
Priority	Medium
HR should develop a comprehensive flexible working arrangement administrative instruction (AI), clarifying aspects including but not limited to:	
(i)	Need for making adjustments to staff benefits and entitlements in cases of prolonged remote working arrangements from a non-commutable distance from duty station that might be approved on an exceptional basis in future;
(ii)	Number of maximum working days allowed for remote working in a calendar year from a non-commutable distance from duty station;
(iii)	Responsibilities of staff member and managers in Bureaus/Offices to inform HR about approvals granted for remote working arrangements; and
(iv)	Designation of higher authorities competent to grant any exceptions to the provisions of such an AI.
Closing criteria:	
Development and issuance of comprehensive flexible working arrangement instructions.	

¹⁷ Paragraph 5.2

ANNEX 1: DEFINITION OF AUDIT TERMS

Audit Ratings

In providing an overall assessment of the results of the audit, OIO uses the following standardized audit rating definitions:

Audit Assessment	Definition
Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses or areas for improvement were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Several key control weaknesses were noted and/or several areas of strategic/high importance were identified where significant improvements can be made to increase efficiency and effectiveness.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

Internal control is defined as a process effected by senior management and staff, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance objectives. Whilst internal control provides reasonable (but not absolute) assurance of achieving organizational objectives, limitations may result from:

- suitability of objectives established as a precondition to internal control;
- reality that human judgment in decision making can be faulty and subject to bias;
- breakdowns can occur because of human failures such as simple errors;
- ability of management to override internal control;
- ability of management, other staff, and/or third parties to circumvent controls through collusion;
- external events beyond the organization's control.

Priority of Audit Recommendations

The audit recommendations in this report are categorized according to priority as a guide to management in addressing the issues raised. The following categories are used:

High: recommendations, which address significant and/or pervasive deficiencies or control weaknesses, or areas where significant improvements can be made.

Medium: recommendations, which address important deficiencies or control weaknesses, or areas where some improvements can be made.

Low: suggestions, which represent best practice, or general opportunities for improvement.

ANNEX 2: MANAGEMENT ACTION PLAN

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/Section Responsible	Target Date
1.	ADB should establish a clear timeline and prioritize developing a business case and implementing the digitization of personnel records as part of digital transformation projects.	High	Yes	<p>Staff files are to be treated with a high level of confidentiality. The digitizing of staff files would proceed as soon as a provider is identified via the procurement process. The Terms of Reference for this assignment has already been prepared and ICT would soon commence the procurement process, subject to the availability of funds.</p> <p>The digital transformation human capital management project should consider this recommendation.</p>	To proceed with the procurement process and thereafter once a tool and provider have been identified arrangements would be put in place for required resources and for the commencement of the digitizing process.	ADB	31 December 2023
2.	ADB should develop business case and requirements for workflow automation for administration of staff benefits and entitlements and include this in the scope of the signature project related to redevelopment of ERP solution of ICAO.	High	Yes	<p>The implementation of Agresso system focused primarily on Finance and Payroll related transactions. Other benefits and entitlements were not taken into consideration at that time; hence a number of processes are still done manually.</p> <p>SEA has been identifying all of the manual processes for automation purposes, following which a number of Business Requirements have already been completed and automation process are ongoing</p> <p>The digital transformation ERP and human capital management projects should consider this recommendation.</p>	To continue with the automation of HR processes	ADB	31 December 2023

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/Section Responsible	Target Date
3.	HR should develop a comprehensive flexible working arrangement administrative instruction (AI), clarifying aspects including but not limited to: (i) Need for making adjustments to staff benefits and entitlements in cases of prolonged remote working arrangements from a non-commutable distance from duty station that might be approved on an exceptional basis in future; (ii) Number of maximum working days allowed for remote working in a calendar year from a non-commutable distance from duty station; (iii) Responsibilities of staff member and managers in Bureaus/Offices to inform HR about approvals granted for remote working arrangements; and (iv) Designation of higher authorities competent to grant any exceptions to the provisions of such an AI.	Medium	Yes	<p>POD is currently developing a policy to address flexible working arrangement, which would take into consideration the observations/comments/recommendations of the Audit, in this regard.</p> <p>The JIU report on flexible working arrangements expected to be issued by June 2023 should be considered when implementing this recommendation.</p>	To develop an AI on Flexible Working Arrangements based on JIU recommendations	ADB	31 December 2023