

IA/2021/2

OFFICE OF INTERNAL OVERSIGHT



INTERNAL AUDIT REPORT

ON

THE MANAGEMENT OF VOLUNTARY FUNDS

Table of Contents

INTRODUCTION	4
AUDIT OBJECTIVE	5
• GOVERNANCE ARRANGEMENTS.....	5
• ESTABLISHMENT AND MANAGEMENT OF VOLUNTARY FUNDS	7
• VOLUNTARY FUND CONTRIBUTIONS	8
• IDENTIFICATION OF RESOURCE NEEDS.....	9
• DEVELOPMENT OF PROJECT/PROGRAMME PROPOSALS.....	10
• RESOURCE MOBILIZATION PLATFORM.....	12
• FINANCIAL REPORTING	13
• ADMINISTRATIVE OVERHEAD CHARGE	15
ANNEX 1 – DEFINITION OF AUDIT TERMS.....	i
ANNEX 2 – BACKGROUND TO EACH VOLUNTARY FUND	ii
ANNEX 3 –VOLUNTARY FUND CONTRIBUTIONS AND EXPENDITURE IN THE PERIOD 2017 TO 2019	iii
ANNEX 4 – INFORMATION ON VOLUNTARY FUNDS ON ICAO’S PUBLIC WEBSITE.....	iv
ANNEX 5 – OTHER TYPES OF VOLUNTARY FUNDS.....	v
ANNEX 6 – MANAGEMENT ACTION PLAN	vi

Executive Summary

INTRODUCTION

1. As part of its annual work plan for 2020 (C-WP/14945), the Office of Internal Oversight (OIO) carried out an audit of the management of voluntary funds. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Audit¹.
2. The objective of the audit was to assess the adequacy, efficiency and effectiveness of governance, risk management and internal controls relating to the management, monitoring and reporting of voluntary funds.

KEY FINDINGS

3. Each triennium there is a growing gap between the programmes endorsed by the Council and Assembly and those that can be accommodated within the regular programme budget. Reliance on assessed contributions is therefore no longer a sustainable option for ICAO and there is an increasing need for voluntary contributions to bridge the gap between the Business Plan and the regular programme budget. However there is no plan which prioritises unfunded programmes/projects and identifies those which need to be financed from voluntary funds over the triennium, and the annual funding required. This lack of a comprehensive needs assessment, together with the absence of a targeted resource mobilization strategy, is a major weakness which hampers resource mobilization efforts. Analysis of contributions to the voluntary funds over the last three years also shows that ICAO is reliant on a relatively few, mainly one-off contributions, which creates a significant risk for the continuity and sustainability of activities financed by the voluntary funds.
4. Potential donors are increasingly supporting the financing of larger, strategic and cross-cutting programmes which will have a global, coordinated impact. However the current structure and management of voluntary funds by separate thematic areas impedes the development of programmes/projects which cover more than one strategic objective and the coordination of activities across different bureaus/regional offices.
5. Donors require assurance that their contributions will be used effectively and efficiently and for the purposes intended. However ICAO has not yet developed a sound framework for effectively managing voluntary funds. Lack of a standard project management approach, together with the absence of Standard Operating Procedures (SOPs) hampers the effective and efficient management of voluntary funds.

¹ IIA Standard 1321

6. The Secretary General has established a Project Review Committee for all ICAO Voluntary Funds (PRC-IVFs) to provide oversight. However it has not met very frequently in recent years, and does not carry out the full range of responsibilities listed in its Terms of Reference. In our view, the PRC-IVFs could be supported by a cross-bureau/regional office technical group to carry out the more detailed work required. In addition, the existence of separate governing committees for some voluntary funds, and the lack of coordination between these committees and the PRC-IVFs, reduces efficiency, transparency and cross-bureau cooperation, as well as the effective management and oversight of voluntary funds.
7. Management information and reporting on voluntary funds needs to be enhanced to provide adequate, timely, and easily accessible information to donors and other stakeholders. For example, the information on voluntary funds on ICAO's public website is disorganized, limited in scope, and not always up to date. In December 2019, the Secretary General approved the launch of the Resource Mobilization Platform, which is intended to be the "go-to-place" for locating funding proposals and obtaining an overall picture of ICAO's needs with regard to voluntary funding requests. However it currently only contains information on projects financed by the Resource Mobilization Fund. In addition, the Platform, which has been developed by the Strategic Planning, Coordination and Partnerships Office (SPCP), needs adequate IT support to ensure its ongoing maintenance and development.
8. The lack of a formal definition of a voluntary fund, and the existence of several other categories of voluntary funds, has led to a complex accounting structure which does not facilitate clear and transparent financial reporting.
9. The staffing level of two professional posts in SPCP funded from the 7% overhead charge on voluntary contributions, does not provide a stable and sustainable solution for ICAO's resource mobilization and partnership efforts which is of critical importance for the Organization. One of these posts (the vacant P-5 level post of Chief, Partnerships and Resource Mobilization Section) was recently converted to Chief Innovation Officer but without including the major tasks of resource mobilization and partnership components in the new job description. OIO was informed that, due to financial constraints, this was the only option to create the post of Chief Innovation Officer in accordance with a resolution of the Assembly (A40-27). This has resulted in a situation where there is insufficient resources and no adequate senior level supervision and management of a dedicated resource mobilization and partnerships function.

AUDIT CONCLUSION

10. Based on the results of the audit, OIO has given an audit rating of **major improvement needed**. Key areas for improvement include: establishing a sound framework for effectively managing voluntary funds; strengthening the oversight role of the PRC-IVFs; better planning and identification of the resources required from voluntary funding; and strengthening the staffing level and funding mechanism for resource mobilization/partnership activities. **Annex 1** provides further information on the definition of audit terms used in OIO's internal audit reports.

MANAGEMENT COMMENTS AND ACTION PLAN

11. All recommendations in the report have been accepted. Management comments and proposed actions to implement the recommendations are detailed in the Management Action Plan at **Annex 6**.

ACKNOWLEDGEMENT

12. OIO wishes to thank management and staff for their assistance and cooperation during the audit.

Results of the Audit

INTRODUCTION

13. Voluntary funds are used to finance projects which complement the regular programme budget in support of ICAO's mission and objectives at the global, regional and national level, and to assist States in enhancing their civil aviation systems, capacity and implementation of ICAO SARPs.
14. Voluntary funds are established and managed in accordance with the *ICAO Resource Mobilization Policy, Annex – Establishment and Management of Voluntary Funds*. This policy was approved by the Council in March 2016 (C-DEC 207/11) and its purpose is to “consolidate and streamline ICAO's resource mobilization efforts, to make funding more predictable, effective and efficient; broaden the donor base; and to consolidate all available and projected resources within an integrated Business Plan”. ICAO implements its resource mobilization efforts through voluntary funds.
15. Funds are accounting entities which are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. A “voluntary” fund is funded solely through contributions made on a voluntary basis.²
16. ICAO has established the following thematic and multi-donor voluntary funds as shown in **Table 1**.³

Table 1: Balances on ICAO voluntary funds as at 31 December 2019

Fund	Balance as at 31/12/19 CAN \$
Resource Mobilization Fund (RMF)	4,106,026
Aviation Security and Facilitation Fund (AVSEC FAL)	9,470,015
Safety Fund (SAFE)	2,575,003
Environment Fund (ENV)	2,139,480
Human Resources Development Fund (HRDF)	749,548
Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan) Fund	714,513
Comprehensive Regional Implementation Plan for Aviation Security and Facilitation in Africa (AFI SECFAL Plan) Fund	341,376
ICAO Programme for Aviation Volunteers (IPAV) Fund	82,405
Air Transport Fund (TRAF)	6,404
Edward Warner Award Fund	1,730
Total	20,186,500

² This definition is taken from the *ICAO Resource Mobilization Policy, Annex – Establishment and Management of Voluntary Funds*.

³ This list of voluntary funds is included in the Appendix to the Terms of Reference of the Project Review Committee for ICAO Voluntary Funds (PRC-IVFs).

AUDIT OBJECTIVE

17. The objective of the audit was to assess the adequacy, efficiency and effectiveness of governance, risk management and internal controls relating to the management, monitoring and reporting of voluntary funds.

AUDIT FINDINGS AND RECOMMENDATIONS

GOVERNANCE ARRANGEMENTS

18. The Secretary General has established a Project Review Committee for all ICAO Voluntary Funds (PRC-IVFs) to review, prioritize and approve project proposals, and to increase efficiency, enhance coordination, and improve oversight and transparent management of voluntary funds.
19. Minutes of meetings held since 2016 indicate that the main activity carried out by the PRC-IVFs is to make recommendations on the prioritization of project proposals and the allocation of funding from the Resource Mobilization Fund. The PRC-IVFs does not appear to carry out the many other responsibilities specified in its ToR such as *“ensuring the....timely disbursement of funds and ensuring that funds have been spent for the purposes intended and that expected objectives and outcomes have been achieved through relevant transparent reporting mechanisms.”* Nor does it oversee and coordinate the activities of every voluntary fund.
20. The PRC-IVFs is a high level body comprising the Secretary General and bureau and regional directors⁴. Although it is supported administratively by the Strategic Planning, Coordination and Partnerships Office (SPCP), it is not provided with the necessary technical support at the working level to enable it to fully carry out its responsibilities. For example, members of the PRC-IVFs do not have the time to carry out a detailed analysis of all project proposals, to assess their feasibility and determine priorities, nor can they develop common processes, procedures and reporting templates, etc. for the management and oversight of the voluntary funds. The PRC-IVFs met three times in 2017, however has met only once in 2018 and 2019. It has not met in person since February 2019, although members were consulted by e-mail in September and October 2019 to approve the allocation of funds. The ToR envisages three meetings per year to discharge all of the committee’s responsibilities.
21. When the PRC-IVFs was established, the AVSEC FAL Fund and the SAFE Fund already had their own separate PRCs. These PRCs are now overseen by the PRC-IVFs. However some of the other voluntary funds also have their own separate governing committees as shown in **Table 2** below.

⁴ Members of the PRC-IVFs are: the Secretary General (Chairperson), Director Air Transport Bureau, Director Air Navigation Bureau, Director Technical Cooperation Bureau, Director Bureau of Administration and Services, Regional Director Eastern and Southern Africa, Regional Director Western and Central Africa, Chief Finance Branch, and Head Strategic Planning, Coordination and Partnerships Office (Secretary).

Table 2: Voluntary funds with individual governance arrangements

Fund	Governance arrangement	Date of last meeting
Aviation Security and Facilitation Fund (AVSEC FAL)	Project Review Committee (PRC)	July 2017 (by e-mail exchange)
Safety Fund (SAFE)	Project Review Committee (PRC)	July 2019
Human Resources Development Fund (HRDF)	Management Committee	May 2018
Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan) Fund	Steering Committee	May 2019
Comprehensive Regional Implementation Plan for Aviation Security and Facilitation in Africa (AFI SECFAL Plan) Fund	Steering Committee	May 2019

22. According to the Council Working Paper on the Resource Mobilization Policy (C-WP/14398), the PRC-IVFs was intended to replace the existing PRCs for AVSEC FAL and SAFE “*resulting in increased efficiency and enhanced coordination of assistance*”⁵, however in practice it seems that this has added an extra layer of scrutiny for little added value, and has led to a longer and less efficient project approval process for these two funds. For example, project proposals are first reviewed by these committees and, if the estimated budget is more than CAN \$50,000, the project must then be submitted for further review to the PRC-IVFs. In addition, the existence of separate governance committees for other funds, which do not report directly to the PRC-IVFs, reduces transparency and cross-bureau cooperation and coordination with regard to the management of voluntary funds.

Recommendation 1	Review of the PRC-IVFs and its relationship with other voluntary fund committees
Priority	High
<p>SPCP, in close cooperation with the responsible bureaus and regional offices, should:</p> <ul style="list-style-type: none"> i) assess the functioning of the Project Review Committee for all ICAO Voluntary Funds (PRC-IVFs), including its interaction with other voluntary fund committees, and draw up an action plan to address any weaknesses and enhance the overall management of voluntary funds; and ii) establish a cross-bureau technical group to support the PRC-IVFs in carrying out its duties and responsibilities. <p>Closure criteria</p> <ul style="list-style-type: none"> i) Review of the role of the PRC-IVFs and its interaction with other voluntary fund committees and completion of an action plan to implement improvements. ii) Establishment of a cross-bureau technical group to support the PRC-IVFs. 	

⁵ Paragraph 3.5 of C-WP/14398

ESTABLISHMENT AND MANAGEMENT OF VOLUNTARY FUNDS

23. As per the ICAO Financial Regulations, Article VII, paragraph 7.1, funds are established either by the Assembly or the Council. However in the case of the Environment Fund and the AFI Plan Fund they do not appear to have been formally established as separate accounting entities. Also, the AFI SECFAL Plan Fund is part of the AVSEC FAL Fund. Only the ToRs for the SAFE and the AVSEC FAL Fund have been formally submitted to, and approved by the Council. The Environment Fund, and the AFI Plan Fund do not have formal ToRs, nor do the Air Transport Fund or the IPAV Fund. **Annex 2** provides detailed information on the background to each voluntary fund.
24. In those cases where a voluntary fund has not been formally established, there is no requirement to manage and report on them separately. Given the large number of voluntary funds which have been created over many years in an uncoordinated manner, the Secretariat could consider consolidating some of them in order to achieve efficiencies.
25. It is essential for ICAO to provide assurance to donors that their voluntary contributions will be used effectively and efficiently and for the purposes intended. This means that donors expect ICAO to have a sound results based framework for managing voluntary funds, including a project management methodology.
26. ICAO does not have a project management methodology which is applied consistently across all voluntary funds. Also, in the case of those ToRs which exist, these often contain very detailed requirements, however there are no defined processes or Standard Operating Procedures (SOPs), templates or tools to operationalize the requirements of individual ToRs and to translate them into day to day working practices.

Recommendation 2 Establishment and management of voluntary funds

Priority High

i) The PRC-IVFs should assess whether those voluntary funds which have not been formally established by the Council can be consolidated; and whether all voluntary funds should be governed by a standard ToR.

ii) SPCP, in close collaboration with the responsible bureaus, regional offices and the Finance Branch, should coordinate the development of a comprehensive set of Standard Operating Procedures (SOPs) for the management of all ICAO voluntary funds.

Closure criteria

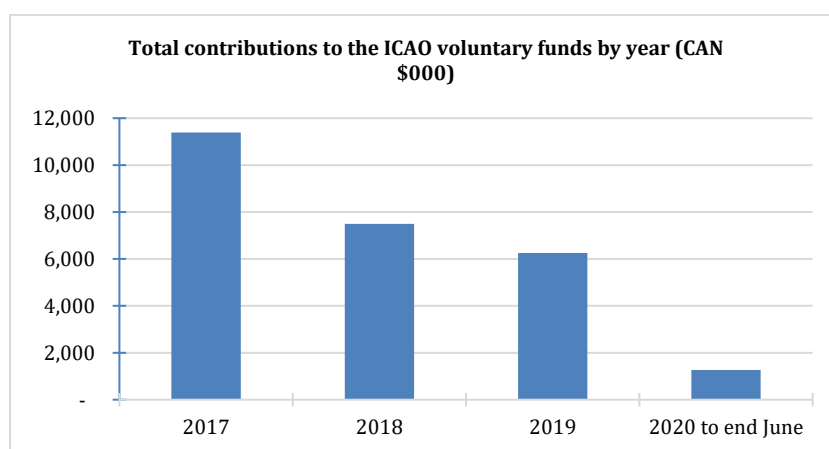
i) Review of the status and ToRs of existing voluntary funds and implementation of any required changes.

ii) Development of a comprehensive set of SOPs for the management of voluntary funds.

VOLUNTARY FUND CONTRIBUTIONS

27. Although there are some regular contributors to the AVSEC FAL Fund and the SAFE fund, most of the contributions received by the voluntary funds are not of a continuing, or predictable nature i.e. they are usually one-off contributions or contributions for specific projects. No contributions were received for the Air Transport Fund (TRAF), the IPAV Fund or the Edward Warner Award Fund in the period 2017 to 2019, and the TRAF has only received two contributions amounting to CAN \$5,845 since its establishment in 2014. **Annex 3** provides further information on contributions received and expenditures incurred by individual voluntary funds over the three year period from 2017 to 2019.
28. **Figure 1** shows that total contributions for all ICAO voluntary funds have been decreasing over the last three years. Due to the one-off nature of contributions, it is difficult to identify the reasons for this trend. Contributions received in the first six months of 2020 are particularly low compared to previous years, most likely due to the impact of the COVID-19 pandemic.

Figure 1: Contributions to all ICAO voluntary funds in the period 2017 to June 2020



29. **Table 3** shows that the voluntary funds are reliant on a very small number of high value contributions. A total of nine individual donors each contributed more than CAN \$1 million to the ICAO voluntary funds in the period 2017 to 2019. These nine donors contributed 82% of all funds received in the RMF, AVSEC FAL Fund, Environment Fund and SAFE Fund in the period 2017 to 2019. This reliance on a relatively few, mainly one-off contributions, creates a significant risk for the continuing sustainability of the voluntary funds at a time when resources from the regular programme budget are reducing.

Table 3: Individual voluntary fund contributions over CAN \$1 million in the period 2017 to 2019

Fund	No. of individual donors contributing more than CAN \$1m	Donors contributing more than CAN \$1m	Total value of all contributions over CAN \$1m in the period 2017 to 2019	% of total fund contributions in 2017 to 2019
RMF	4	China, Qatar, Saudi Arabia, and ECCAS/ECOWAS ⁶	7,966,550	96
AVSEC FAL	2	Canada and United States	6,955,259	86
ENV	2	European Union and GEF ⁷	3,802,537	88
SAFE	1	World Bank	1,785,678	52
Total	9		20,510,024	82

IDENTIFICATION OF RESOURCE NEEDS

30. The ICAO Business Plan is not fully funded by regular programme assessed contributions. The gap in funding is partially filled by the Ancillary Revenue Generation Fund (ARGF), miscellaneous income, voluntary funds, trust funds and in-kind contributions. However there is still a residual, unfunded gap each triennium.
31. Mobilization of additional resources is therefore extremely important if unfunded activities in the Business Plan are to be carried out. However there is no plan which prioritises unfunded programmes/projects and identifies those which need to be financed from voluntary funds over the triennium, and the annual funding required. This lack of a comprehensive needs analysis is a major weakness which hampers resource mobilization efforts and means that it is difficult to develop a comprehensive and targeted resource mobilization strategy. Organizations which have such plans are better able to explain to donors what is needed, and to inspire confidence in how their contributions will be used.
32. At the second meeting of the PRC-IVFs held in January 2017, the Secretary General requested that more comprehensive annual plans be presented in a standardized format for all voluntary funds. These plans were to include *“more details on the use of funds by project including specified (earmarked) contributions, and show the links to the Business Plan including headquarters’ and regional office operating plans, and the unfunded programmes, projects, and activities identified in the budget, where applicable”*. However such annual implementation plans are not prepared for any of the voluntary funds. In addition, projects financed by voluntary funds are not systematically included in the responsible bureau or regional office operating plans.

⁶ Economic Community of Central African States (ECCAS) and Economic Community of West African States (ECOWAS).

⁷ Global Environment Facility.

33. The Air Transport Bureau has recently embarked on establishing a planning process for the use of AVSEC FAL voluntary funds. At the time of the audit, a preliminary list of potential projects to be carried out in the triennium had been identified.
34. Furthermore, due to the lack of coordinated planning for technical assistance activities at the organizational level, and the current silo approach to the management of individual voluntary funds, there is a risk that projects may be duplicated, or may not be properly coordinated by different bureaus/regional offices.

Recommendation 3 Identification of resource needs

Priority

High

i) In order to identify where resource mobilization efforts are required, bureaus and regional offices should indicate in their operating plans, which of the approved programmes/projects in the ICAO Business Plan are not funded by the regular programme budget and need additional funding.

ii) SPCP should prepare a Resource Mobilization Strategy, supported by an annual Resource Mobilization Plan, based on the needs identified by bureaus and regional offices.

Closure criteria

- i) Identification of unfunded activities in bureau and regional office operating plans.
ii) Preparation of a Resource Mobilization Strategy and annual Resource Mobilization Plans.

DEVELOPMENT OF PROJECT/PROGRAMME PROPOSALS

35. The development of projects/programmes formulated on RBM⁸ principles, with clear outcomes and KPIs, is critical to attracting potential donors. However, in order to develop and formulate high quality programmes and projects, staff need to have the necessary expertise. Bureau and regional office staff are subject matter experts and therefore have the requisite technical knowledge, but they do not necessarily have the required programming knowledge or practical skills and experience in developing project proposals and project documents.
36. Due to the absence of written guidance or an SOP on the process for developing and approving projects to be financed by voluntary funds, there is some confusion amongst staff in the bureaus and regional offices regarding the distinction between a project proposal and a more detailed project document. Project proposals for voluntary funds are not prepared using a standard template despite the fact that, at the 4th meeting of the PRC-IVFs in September 2017, the bureau

⁸ Results Based Management

and regional directors agreed that project proposals would be developed in line with a template to be provided by SPCP.

37. Use of the standard template developed by SPCP, rather than the use of different templates developed by each individual voluntary fund, would make it easier for ICAO to ensure that submitted proposals meet the requirements set out in the *ICAO Resource Mobilization Policy*, and for potential donors to review ICAO's funding requirements on the Resource Mobilization Platform. Consistency in presentation will also provide some assurance to donors that ICAO has established standard procedures and governance arrangements regarding the development of projects to be financed from voluntary funds.
38. The majority of project proposals on the Resource Mobilization Platform are relatively small, with a budgeted cost of less than CAN \$200,000. In considering whether to fund projects, donors want to ensure that their money will be used in a meaningful way and that their contributions will lead to sustained impacts. Major donors are increasingly supporting larger scale programmes which will result in a more coordinated and global impact.
39. There were only two examples of such larger scale, collaborative project proposals on the Resource Mobilization Platform⁹. These kinds of projects will need to be developed more consistently in the future given the decreasing interest of donors in providing general, unearmarked contributions.
40. Some of the current weaknesses in programme/project development are being partially addressed by several recent initiatives, such as the establishment of the Resource Mobilization Network¹⁰ and the creation of an Implementation Policy Development Group (IPDG)¹¹. The purpose of the Resource Mobilization Network is to strengthen resource mobilization capacity in the bureaus and regional offices, under the overall guidance of SPCP, and to coordinate efforts and support mobilization of voluntary resources at the regional and global levels. The role of the IPDG is *"to assist and advise the directors of ANB, ATB and TCB in developing an implementation policy to align technical cooperation and technical assistance activities."*
41. In a separate initiative, SPCP and the Air Navigation Bureau (ANB) have been working together to adapt ANB's Data for Implementation (D4I) methodology¹² and apply it to the review and prioritization of projects. The aim is to assess the probability of whether a project will bring

⁹ The Collaborative Arrangement for the Prevention and Management of Public Health Events in Civil Aviation (CAPSCA) programme (total budget CAN \$3.5 million), and the UNICEF-ICAO partnership on the use of drones for humanitarian aid purposes (total budget CAN \$1.4 million).

¹⁰ The Resource Mobilization Network is composed of nominated focal points in each bureau and regional office.

¹¹ Membership of the IPDG includes representatives from the Air Navigation Bureau (ANB), the Air Transport Bureau (ATB) and the Technical Cooperation Bureau (TCB); one focal point representing the regional Offices; and a representative from SPCP for resource mobilization and business planning

¹² D4I is an ICAO data-driven decision making methodology that estimates the likelihood of implementation for a SARP.

about the intended results and to increase the quality of proposals. A draft SOP describing the receipt, evaluation and approval of project proposals is currently being developed by SPCP and ANB.

42. Whilst these separate initiatives are positive, there is a risk that they may not be fully coordinated, that work may be duplicated, and that weaknesses and gaps relating to the efficient and transparent management of voluntary funds may not be fully addressed. Recommendations 1(ii), 2(ii) and 3 (i) aim to address these risks.

RESOURCE MOBILIZATION PLATFORM

43. In order to attract donors, and to provide assurance that their voluntary contributions will be used efficiently and effectively and for the purposes intended, information on voluntary funds; the activities carried out; the impacts achieved; and future resource requirements; etc., needs to be timely, consistent, transparent, and easily accessible. Ideally all of this information should be available in a single place.
44. Information on voluntary funds is located in many different places on the ICAO public website. There is no consistency in the information provided to the public, and it is very difficult to find any information on some of the funds. In addition, some of the information has not been regularly updated and is now out of date (see **Annex 4** for details).
45. The existence of multiple websites/web pages for voluntary funds can create confusion, both internally for staff, and externally for Council members and donors, and can result in a lack of transparency and donor confidence.
46. SPCP has developed a Resource Mobilization Platform, which was launched in December 2019. The Platform is intended to be the “go-to-place” for ICAO staff and Council members to locate funding proposals and to obtain an overall picture of ICAO’s needs with regard to voluntary funding requests. However, although there are hyperlinks to other funds, the Resource Mobilization Platform currently only includes information on projects, donors and resource mobilization initiatives relating to the Resource Mobilization Fund.
47. In line with ICAO’s information security policies, SPCP’s plan is that, eventually, information on all ICAO voluntary funds will be incorporated in the Resource Mobilization Platform. In due course, SPCP hopes to add a business intelligence layer to the Resource Mobilization Platform which will enable graphs etc. to be generated and for an automated link with Agresso to be added. The UNDP Transparency Portal (<https://open.undp.org/>) is an example of what could eventually be achieved.
48. Creation of the Resource Mobilization Platform has been a challenge for SPCP. The Enterprise Technology and Services Section (ETS) in the Bureau of Administration and Services (ADB) did not have the capacity to provide any assistance in its development due to the lack of an Office 365

developer. The tool was therefore developed within SPCP by the Partnerships and Resource Mobilization Officer using SharePoint. This reliance on a single person leads to a single point of failure risk for ICAO. Also, the architecture and tables at the back end of the system have not yet been documented and there is no associated SOP setting out how information in the system is entered, secured and controlled.

49. Given its importance as a tool for communicating with donors on ICAO's funding requirements and on how donor-funded projects have been implemented, it is essential for the Resource Mobilization Platform to be institutionalized and that adequate IT support be provided to ensure its ongoing maintenance and development.

Recommendation 4 Resource Mobilization Platform

Priority Medium

SPCP, in close cooperation with IT where appropriate, should:

- i) consolidate and update the information on ICAO voluntary funds on ICAO's public website in close consultation with the responsible bureaus and regional offices;
- ii) expand the use of the Resource Mobilization Platform to include all voluntary funds;
- iii) document the systems architecture behind the Resource Mobilization Platform and draft an SOP for the management and control of information stored on the Platform; and
- iv) ensure that adequate IT support is obtained to further develop and maintain the Resource Mobilization Platform.

Closure criteria

- i) Consolidation and update of information on all voluntary funds in one place on the ICAO public website.
- ii) Expansion of the Resource Mobilization Platform to include all voluntary funds.
- iii) Documentation of the Resource Mobilization Platform systems architecture, and completion of an SOP for the management and control of information stored on the Platform.
- iv) Agreement between SPCP and ADB (ETS) regarding the provision of ongoing maintenance and support for the Resource Mobilization Platform.

FINANCIAL REPORTING

50. Timely and accurate financial reports are essential to enable managers to actively monitor and manage the voluntary funds under their responsibility. The Finance Branch has developed a number of bespoke financial reports for individual voluntary funds which can be run from Agresso at any time. However, in some cases, managers do not have the ability to run the reports

themselves, and request them from the Finance Branch as and when needed, as well as any other ad hoc queries they need from Agresso. This is inefficient and hampers the effective and timely management and monitoring of voluntary fund activities.

51. In addition, there is no automated management report which brings together relevant financial information on the collective performance and status of all of the voluntary funds. Such a report, which could be prepared by the Finance Branch, would provide visibility of how much funding has been allocated and spent by project and fund, as well as the overall balance on voluntary funds, and is an essential tool to enable the PRC-IVFs to carry out its oversight role effectively, and for SPCP to undertake resource mobilization activities.
52. Financial reporting to external stakeholders on voluntary fund revenues and expenditures should be transparent and easily understood. There is no clear definition of a voluntary fund. In addition to the multi-donor voluntary funds ICAO also receives other types of voluntary contributions for cost recovery projects, trust funds, secondments, and JPOs¹³ (see **Annex 5** for details). Lack of a consistently applied definition for voluntary funds, as well as a multitude of fund codes in Agresso, some of which are for internal accounting purposes only, leads to a complex accounting and financial reporting structure, and reduced transparency.

Recommendation 5 Financial reporting of voluntary funds

Priority High

In consultation with the responsible bureaus and regional offices, the Finance Branch should:

- i) establish a clear definition of voluntary funds; and
- ii) rationalize, streamline and simplify the current accounting structure and financial reporting of voluntary funds.

Closure criteria

- i) Establishment of a clear definition of voluntary funds.
- ii) Review and rationalization of the accounting structure and financial reporting of voluntary funds.

¹³ Junior Professional Officer

ADMINISTRATIVE OVERHEAD CHARGE

53. In accordance with the ICAO Resource Mobilization Policy, *“voluntary funds will normally be subject to a one-time, cost-recovery charge of 7 per cent for indirect costs incurred by ICAO”*. This 7% charge on all voluntary contributions is debited to the relevant voluntary fund, and is credited as revenue to a separate fund code in Agresso (fund 1214 – Indirect Cost Recovery Fund).
54. Fund 1214 was created at the beginning of 2011. As at 31 December 2019, total income recorded in the fund was CAN \$3.2 million and total expenditure was CAN \$1.2 million, resulting in a surplus carried forward of CAN \$2 million.
55. There is currently no written guidance on how the revenue collected from the 7% cost recovery charge is to be used. The majority of the CAN \$1.2 million spent up to 31 December 2019 was for staff costs. Two professional posts (both responsible for resource mobilization efforts) and one general service post in SPCP, plus one general service post in the Finance Branch are financed by fund 1214. Some travel and other expenses have also been charged to the fund. The rationale for charging these particular posts and expenses to fund 1214 is not documented and the absence of a defined policy leads to a lack of transparency and a risk that monies may be used inconsistently or inappropriately.
56. The current funding mechanism and staffing level of two professional posts in SPCP from fund 1214 does not provide a stable and sustainable solution for ICAO’s resource mobilization and partnership efforts which is of critical importance for the Organization. ICAO recently advertised a post of Chief Innovation Officer at the P-5 level which was created by converting the existing vacant post of Chief, Partnerships and Resource Mobilization Section but without including the major tasks of resource mobilization and partnership components in the new job description. OIO was informed that, due to financial constraints, this was the only option to create the post of Chief Innovation Officer in accordance with a resolution of the Assembly (A40-27, *Innovation in Aviation*). The other post in the Partnerships and Resource Mobilization Section was upgraded from a P-3 to a P-4 level to compensate for the abolition of the P-5 post. However this has resulted in a situation where there is currently insufficient resources and no adequate senior level supervision and management of a dedicated resource mobilization and partnerships function. There is a need to enhance staffing and supervision and controls over these activities to enable SPCP to ably support all bureaus and regional offices in seeking to secure voluntary contributions which are essential to facilitate the achievement of the Organization’s Strategic Objectives.

Recommendation 6 Use of the cost recovery charge to finance key posts

Priority

High

i) The Finance Branch, in collaboration with bureaus and regional offices, should prepare written guidance on the use of revenues collected from the cost recovery charge on voluntary funds.

ii) SPCP, in close cooperation with the Finance Branch, and under the guidance and direction of OSG, should explore how to enhance the current level of staffing and provide a more stable and sustainable means of financing key posts in SPCP for resource mobilization/partnership activities.

Closure criteria

i) Preparation and approval of written guidance on the use of revenues collected from the cost recovery charge on voluntary funds.

ii) Enhancement of the current level of staffing and identification of a stable and sustainable means of financing key posts in SPCP for resource mobilization/partnership activities.

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 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

OIO prioritizes its recommendations in terms of significance depending on the issues raised in the report. Criteria used to prioritize recommendations include strategic and/or topical importance, materiality, lack of key controls, or severity of weaknesses. The following categories are used:

High: recommendations which address significant and/or pervasive deficiencies or weaknesses such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

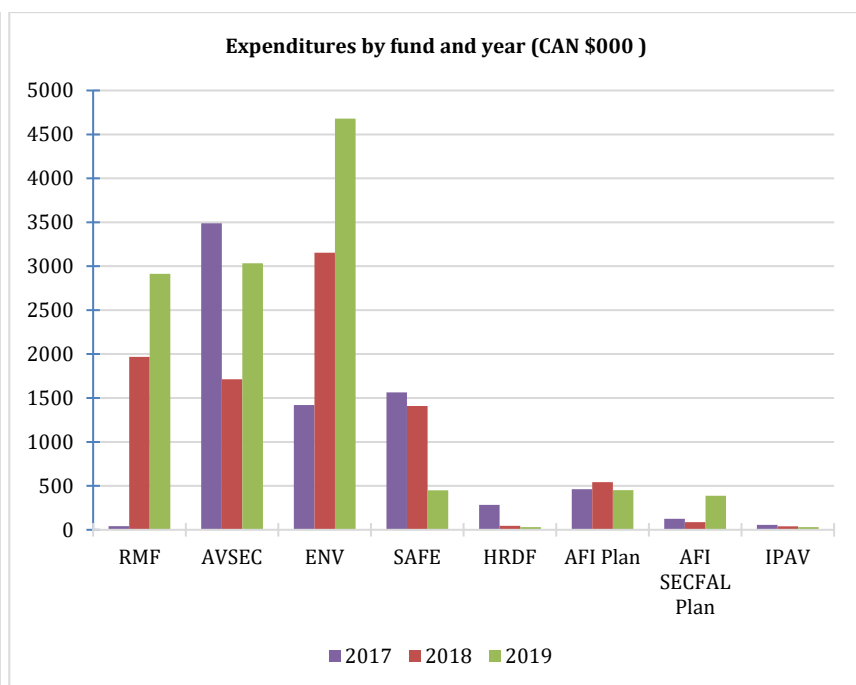
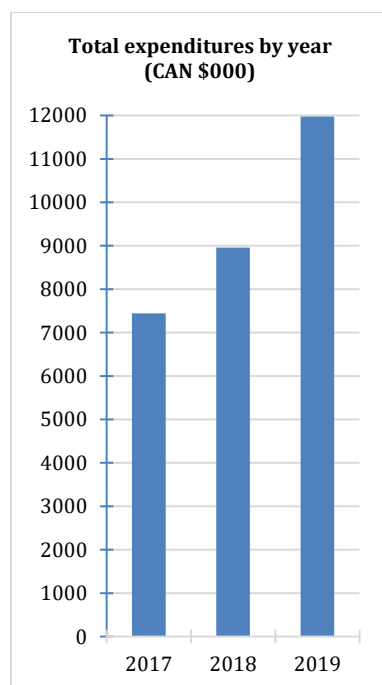
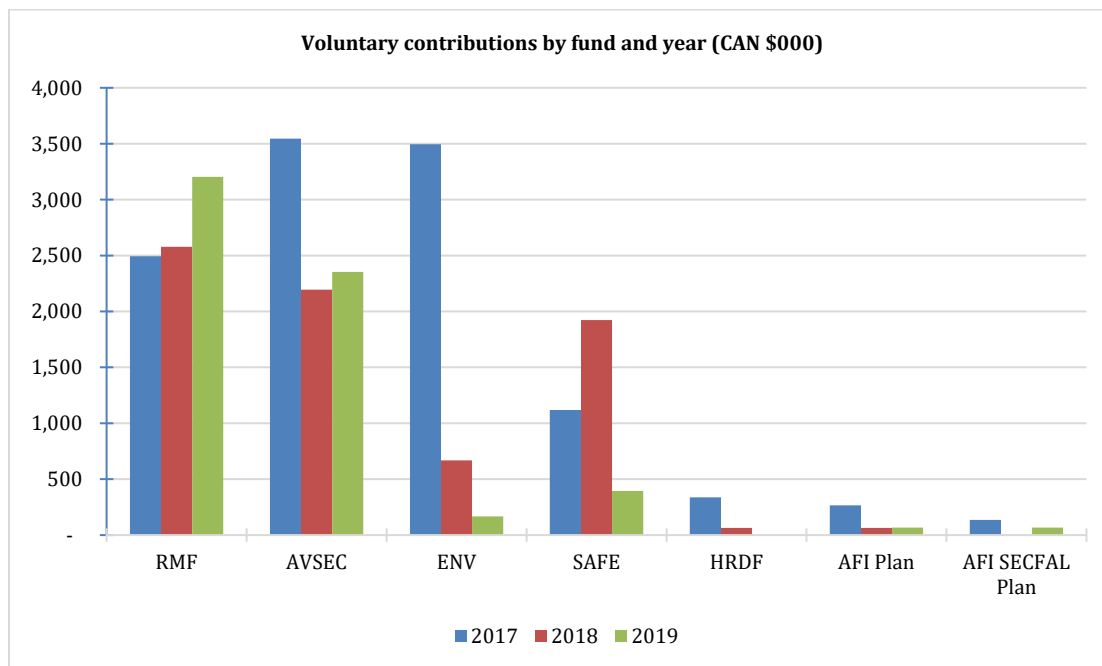
Medium: recommendations which address important deficiencies or weaknesses such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Low: suggestions that do not meet the criteria of either critical or important recommendations, but rather present best practice, or general opportunities for improvement.

ANNEX 2 – BACKGROUND TO EACH VOLUNTARY FUND

Fund	Established by the Council?	ToR approved by the Council?
RMF	Yes. Establishment of this fund was discussed and approved in principle by the Council on 6 March 2017 (C-DEC 210/8).	No. The ToR for this fund was not submitted to or approved by the Council.
AVSEC FAL	Yes. Established following a resolution adopted by the Council at the Seventh Meeting of its 126th Session, on 16 February 1989.	Yes. The ToR of the AVSEC Fund, was revised in January 2020 to include facilitation. The expanded ToR was approved by the Council on 4 March 2020 (C-DEC 219/2).
SAFE	Yes. Approved by the Council on 28 May 2010 during its 190th Session (C-DEC 190/6).	Yes. The latest version of the ToR was circulated to Council Representatives by SG Memo 2110/11 on 2 May 2011 following discussion in the Council (C-DEC 191/2).
ENV	No. This fund was never formally established by the Council.	No, there is no ToR specifically for this fund.
TRAF	Yes. Established by the Council on 26 February 2014 at its 201st Session (C-DEC 201/2).	No. There is no formal ToR for this fund, however C-WP/14100 sets out how the proposed fund would be managed and some of the information given to the Council in this CWP would be included in a ToR.
HRDF	Yes. The Council agreed to establish the HRDF on 19 September 2014. C-DEC 203/2 notes that, <i>“in the absence of comments by 19 September 2014 to the President of the Council’s e-mail dated 28 August 2014, the Secretary General’s proposal to establish the voluntary Human Resources Development Fund (HRDF) to introduce capacity-building opportunities for the African civil aviation sector, made in response to a request for cooperation and assistance received from the African Civil Aviation Commission (AFCAC), has been approved.”</i>	No. The ToR for this fund is contained in Appendix A to the “HRDF Implementation Arrangements”, which was signed by ICAO and AFCAC in December 2014. It was not submitted to or approved by the Council.
AFI Plan Fund	No. The Fund itself was not formally established and approved by the Council. However at its 187th Session in June 2009 the Council requested the Secretary General to establish a mechanism for receiving voluntary contributions for the coordination and management of the Comprehensive Regional Implementation Plan for Aviation Safety in Africa (the AFI Plan) or towards the implementation of activities carried out under the Plan (C-DEC 187/13).	No, there is no ToR specifically for this fund.
AFI SECFAL Plan Fund	No. The ICAO Council approved the AFI SECFAL Initiative as an ICAO programme at its 203rd Session in October 2014. However the AFI SECFAL Plan Fund was not established as a separate voluntary fund, but is part of the AVSEC FAL Fund.	No, there is no ToR specifically for this fund.
IPAV	Yes. Approved by the Council on 10 June 2015 (C-DEC 205/2).	No, there is no ToR specifically for this fund.
Edward Warner Fund	The Award and Fund were established using a sum of more than \$7,000 which ICAO itself received as an award in 1956 from the City of Genoa for its efforts in the development of international cooperation in air transportation.	N/A. The Council decides on the recipients of this award which consists of a solid gold medal inscribed with the recipient's name, and a certificate of recognition citing the reasons for the Award.

ANNEX 3 –VOLUNTARY FUND CONTRIBUTIONS AND EXPENDITURE IN THE PERIOD 2017 TO 2019



ANNEX 4 – INFORMATION ON VOLUNTARY FUNDS ON ICAO’S PUBLIC WEBSITE

Fund	Information available on ICAO's public website
RMF	There is no information on the RMF on the public website. The only reference to it is under a section on the RM Policy where it says “The Resource Mobilization Fund will accept voluntary contributions from donors which support the achievement of ICAO’s mission and objectives at the global, regional and State level as well as assist States in securing funds to enhance their civil aviation systems”.
AVSEC FAL	There is no specific mention on the public website of this fund.
SAFE	There is a separate page on the public website giving comprehensive information on the fund, including links to specific documents such as the ToR, list of donors, and list of projects funded by SAFE, etc.
ENV	There is no information on the public website on the Environment Fund itself, however there is some information on the two major projects under this fund: the EU funded, ICAO-European Union (EU) project and the GEF funded, ICAO-United Nations Development Programme (UNDP) project, both of which ended in June 2019.
TRAF	There is a page on the Voluntary Air Transport Fund which provides an overview of the purpose of the fund as well as links to several information sheets on proposed projects for which funding is needed. There is also a small box containing links to some additional documents e.g. list of donors, banking instructions, State Letter, etc.
HRDF	There is a brief mention of the HRDF under “No Country left Behind Initiatives” where it says that “ICAO has offered secondment opportunities to ten experts from six African States, so as to assist these States to better address the requirements of ICAO Standards and Recommended Practices (SARPs) and other ICAO programme activities. The ten experts are expected to report for duty on 1 March 2017.”
AFI Plan Fund	There is a lot of information about the purpose and objectives of the AFI Plan on the public website, however there is very little information on the AFI Plan Fund. There is only one link which takes you to a page listing the contributions received each year from 2011 to 2017.
AFI SECFAL Plan Fund	As in the case of the AFI Plan, there is information about the purpose and objectives of the AFI SECFAL Plan on the public website, however there is no information on the AFI SECFAL Plan Fund.
IPAV	There is some information on the ICAO Programme for Aviation Volunteers under NCLB Initiatives. There is also some information on the ICAO Programme for Aviation Volunteers under the area relating to TCB, however there is no specific mention of the IPAV Fund here.
Edward Warner Fund	There is information on previous recipients of the Edward Warner Award on the public website as well as some general information on the nature of the Award.

ANNEX 5 – OTHER TYPES OF VOLUNTARY FUNDS

Agresso fund code	Description
1211	ACTIVITIES FOR EARMARKED CONTRIBUTIONS
1213	RO COST RECOVERY FUND
1402	REPUBLIC OF KOREA TRUST FUND
1403	UNITED STATES - FAA MOU (ANB)
1404	CHINA TRUST FUND
1406	GERMAN ASSOC. EXPERT SCHEME
1408	(ISOP) - AUSTRIA
1410	(ISOP) - GERMANY
1412	UNIVERSAL SAFETY OVERSIGHT PROGRAMME TR
1504	WALTER BINAGHI ANC LAUREL AWARD TRUST FUND
1506	FRANCE JPO
1508	ITALY JUNIOR PROFESSIONAL OFFICERS FUND
1510	COUNCIL MEDAL FOR OUTSTANDING INTERNATIONAL PUBLIC SERVICE TRUST FUND
1511	JAPAN JUNIOR PROFESSIONAL OFFICERS FUND
1512	OMAN EXPERT - LEB
1801	REGIONAL SUB-OFFICE (BEIJING) - JAPAN CONTRIBUTION
1802	REGIONAL SUB-OFFICE (BEIJING) - CHINA CONTRIBUTION
1803	REGIONAL SUB-OFFICE (BEIJING) - SINGAPORE CONTRIBUTION
1804	REGIONAL SUB-OFFICE (BEIJING) - MALAYSIA CONTRIBUTION
1805	REGIONAL SUB-OFFICE (BEIJING) - REPUBLIC OF KOREA CONTRIBUTION
1806	REGIONAL SUB-OFFICE (BEIJING) - IATA CONTRIBUTION
1809	REGIONAL SUB-OFFICE (BEIJING) - COST RECOVERY FUND

ANNEX 6 – MANAGEMENT ACTION PLAN

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/ Section Responsible	Target Date
1.	<p>SPCP, in close cooperation with the responsible bureaus and regional offices, should:</p> <p>i) assess the functioning of the Project Review Committee for all ICAO Voluntary Funds (PRC-IVFs), including its interaction with other voluntary fund committees, and draw up an action plan to address any weaknesses and enhance the overall management of voluntary funds; and</p> <p>ii) establish a cross-bureau technical group to support the PRC-IVFs in carrying out its duties and responsibilities.</p>	High	Y	i) Agreed with recommendation	i) Design and share survey with all ICAO voluntary fund managers to assess the functioning of the PRC-IVFs and based on findings, draft action plan.	i) SPCP	30/6/21
				ii) Agreed with recommendation	ii) Explore whether a new group needs to be created or an existing technical group would be appropriate to undertake this task, in order to utilize existing ICAO structures.	ii) SPCP, ANB, ATB, TCB and ROs	31/12/21
2.	i) The PRC-IVFs should assess whether those voluntary funds which have not been formally established by the Council can be consolidated; and whether all voluntary	High	Y	i) Agreed with recommendation	i) Determine which voluntary funds have not been formally established by the Council. Using the cross-bureau technical group supporting the PRC-IVFs; ascertain the benefits which would take place in financial management,	i) SPCP, FIN, ANB, ATB, ROs	31/12/21

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/ Section Responsible	Target Date
	<p>funds should be governed by a standard ToR.</p> <p>ii) SPCP, in close collaboration with the responsible bureaus, regional offices and the Finance Branch, should coordinate the development of a comprehensive set of Standard Operating Procedures (SOPs) for the management of all ICAO voluntary funds.</p>			ii) Agreed with recommendation	<p>resource mobilization and other areas by potential consolidation of funds and introduce a standard ToR for their management and submit to the PRC-IVFs for consideration.</p> <p>ii) Subject to availability of resources, use the cross-bureau technical group supporting the PRC-IVFs, take stock of the existence of SOPs for various ICAO voluntary funds (e.g. the SOP on “Receiving, Evaluating and Approval of Proposals” that ANB and SPCP have jointly developed), create a common template borrowing associated best practices and use the template to develop SOPs for all voluntary funds in a coordinated manner.</p>	ii) SPCP, Bureaus, ROs, TCB	30/6/22
3.	i) In order to identify where resource mobilization efforts are required, bureaus and regional offices should indicate in their operating plans, which of the approved programmes/projects in the ICAO Business Plan are not funded by the regular programme	High	Y	i) Agreed with recommendation	<p>Subject to availability of resources:</p> <p>i) Engage via the RM Network with all Bureaus/ROs, and together with SPCP/PRC section, to establish in the approved programmes/ projects plans, a budget section that clearly indicates the areas of extra needed funding and its rationale presented in a</p>	i) SPCP, Bureaus, ROs, TCB	31/12/22

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/ Section Responsible	Target Date
	<p>budget and need additional funding.</p> <p>ii) SPCP should prepare a Resource Mobilization Strategy, supported by an annual Resource Mobilization Plan, based on the needs identified by bureaus and regional offices.</p>			ii) Agreed with recommendation	<p>manner that is suitable for resource mobilization.</p> <p>ii) Prepare updated RM Strategy by first coordinating with all ROs and Bureaus to draft their Regional RM Strategies. Subsequently, roll all Regional RM Strategies to draft the global RM Strategy, in order to ensure organization-wide buy-in and ownership.</p>	ii) SPCP, Bureaus, ROs, TCB	31/12/21
4.	<p>SPCP, in close cooperation with IT where appropriate, should:</p> <p>i) consolidate and update the information on ICAO voluntary funds on ICAO's public website in close consultation with the responsible bureaus and regional offices;</p> <p>ii) expand the use of the Resource Mobilization Platform to include all voluntary funds;</p> <p>iii) document the systems architecture behind the Resource Mobilization Platform and draft an SOP for the</p>	Medium	Y	<p>Despite resource constraints, SPCP endeavored in creating a centralized repository of information which is coordinating resource mobilization-efforts of Secretariat staff globally and with a number of donors, who have provided funding based on their direct access of the Platform in real-time. Without long term prospects of funding to support RM in SPCP, these efforts become unsustainable.</p> <p>i) Agreed with recommendation</p> <p>ii) Agreed with recommendation</p> <p>iii) Agreed with recommendation</p>	<p>Subject to availability of resources:</p> <p>i) Create prototype of OPEN.ICA0.INT in collaboration with Bureaus/ROs, containing select programmatic and financial data, to demonstrate transparency and efficiency to partners (1.12.7.d).</p> <p>ii) Initiate effort to ensure that all voluntary funds are reflected in the RM Platform and all funds have a similar structure.</p> <p>iii) Using donor funding provided in 2020, as well as an SPCP collaboration with ANB on the D4I project, will develop the documentation of the system architecture and</p>	<p>i) SPCP, FIN Bureaus/ ROs</p> <p>ii) SPCP, FIN, Bureaus, ROs</p> <p>iii) SPCP, ANB, IT</p>	<p>31/12/22</p> <p>31/12/22</p> <p>30/6/22</p>

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/ Section Responsible	Target Date
					required, and taking into consideration any impact on comparative reporting required by management and in the financial statements.		
6.	<p>i) The Finance Branch, in collaboration with bureaus and regional offices, should prepare written guidance on the use of revenues collected from the cost recovery charge on voluntary funds.</p> <p>ii) SPCP, in close cooperation with the Finance Branch, and under the guidance and direction of OSG, should explore how to enhance the current level of staffing and provide a more stable and sustainable means of financing key posts in SPCP for resource mobilization/ partnership activities.</p>	High	Y	<p>i) Agreed</p> <p>ii) Agreed</p> <p>Taking into the account the importance of resource mobilization and partnership functions and the expanded scope of responsibilities, senior management agreed to reclassify a staff position in SPCP funded through supernumerary funds.</p> <p>Senior management, however, is fully cognizant of the fact that Resource Mobilization and Partnerships functions are of importance for the work of the Organization and therefore the feasibility to support this area of work in the future will continue to be carefully examined.</p>	<p>i) The Financial Initiative Project has two related areas for review: cost recovery and budgeting. Both of these projects will examine and put in place changes at to how costs are budgeted and recorded in order to assure that the cost of staff working to support voluntary funds are recovered and the necessary resources to support the efforts are known and correctly priced.</p> <p>ii) Informed by the above, SPCP and FIN will determine and recommend how best to finance the SPCP posts in order to ensure sustainability and the necessary support to the voluntary funds.</p>	<p>FIN</p> <p>FIN/SPCP</p>	<p>31/12/21</p> <p>31/12/22</p>