



ORGANISATION DE L'AVIATION  
CIVILE INTERNATIONALE

INTERNATIONAL CIVIL  
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# Review of the Statement of Internal Control (SIC)

IA/2024/2

Office of Internal Oversight

## ACRONYMS

COSO	Committee of Sponsoring Organizations
EAAC	Evaluation and Audit Advisory Committee
ERP	Enterprise Resource Planning
ERM	Enterprise Risk Management
FIN	Finance Branch
FSMG	Full Senior Management Group (FSMG)
ICAO	International Civil Aviation Organization
MASD	Management Assurance Statement and Declaration
OIO	Office of Internal Oversight
OSG	Office of the Secretary General
SIC	Statement of Internal Control
SMG	Senior Management Group
SPCP	Strategic Planning, Coordination and Partnerships Office
UN	United Nations

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## EXECUTIVE SUMMARY

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1. In accordance with its annual work plan for 2024 (C-WP/15526), the Office of Internal Oversight (OIO) carried out a review of the preparation of the annual Statement of Internal Control (SIC) in ICAO.
2. The review covered ICAO's procedures, process, and methodology in place for the generation of the annual statement of internal control. OIO also conducted a survey of the United Nations (UN) common system entities to identify whether these entities prepare an annual SIC, as well as to compare their SICs to determine if ICAO could benefit from certain positive attributes incorporated within those SICs.
3. The review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing<sup>1</sup>.
4. The review noted the following positive attributes:
  - a) The procedures, process and methodology followed by ICAO in the preparation of the annual SIC is largely consistent with the surveyed UN entities that prepare an annual SIC.
  - b) The actual ICAO annual SIC's structure, content, flow, and statement for assurance is closely aligned with other entities of the UN system.
5. There are a few areas to further strengthen the assurance process:
  - a) Perform monitoring and validation of annual MASDs for accuracy and factual correctness, including following up with bureaus and offices on key internal control weaknesses to ensure that their controls are improved.
  - b) Automate the Management Assurance Statement and Declaration (MASD) process to have data readily available for validation and obtain real-time scores, including identifying significant internal control weaknesses for tracking and follow-up with the applicable bureaus and offices.
  - c) Enhance the reporting to the Secretary General by including internal control weaknesses from key sources of assurance and oversight to provide greater assurance when certifying the annual SIC.
6. Overall, OIO assessed internal controls over the process for the preparation of the annual statement of internal control to be generally adequate and "effective".
7. This report made two medium-priority recommendations that mainly relate to strengthening the SIC preparation process to provide the Secretary General with increased assurance before he signs off and to reduce internal control weaknesses by following up on deficiencies noted in the annual declaration exercise. Management comments and proposed actions are included in the Management Action Plan in Annex 3.
8. The Strategic Planning, Coordination and Partnerships (SPCP) Office was responsible for the overall process and for preparing the 2023 annual statement of internal control. However, the recommendations in this report are addressed to the Finance Branch (FIN) due to the reassignment of functions of the SPCP to FIN (announced by the Secretary General on 12 April 2024 in the Staff Notice 5980). When necessary, recommendations were addressed to the Office of the Secretary General (OSG).
9. OIO wishes to thank management and staff for their assistance and cooperation during this review.

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<sup>1</sup> IIA Standard 1321

## RESULTS OF THE REVIEW

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### Introduction

10. On an annual basis, the ICAO Secretary General circulates a Management Assurance Statement and Declaration (MASD) that should be signed and submitted by all Directors/Heads of Offices prior to the preparation of the annual Statement of Internal Control (SIC). The objective of the MASD is to ensure that ICAO can achieve its Objectives and that Senior Managers are leading by example by objectively reporting on the design and effectiveness of key internal controls in their area of responsibility and for continuous improvements.
11. Based on these submissions, the Strategic Planning, Coordination and Partnerships (SPCP) Office will then prepare the annual SIC for sign-off by the Secretary General. This function of the SPCP office is transferred to the Finance Branch as of 26 April 2024.
12. The SIC indicates that the Secretary General's review of the effectiveness of internal controls is mainly informed by the criteria listed below, which is taken from the "Review of effectiveness" section per the annual SIC:

#	Annual statement informed by
i.	ICAO's Enterprise Risk Management and Internal Control (ERM) Framework which outlines the guiding principles of risk management, roles and responsibilities, processes, monitoring and review of risks, and risk documentation.
ii.	Reliance on the Directors of Bureaus and Heads of Office personal written attestation in the MASD self-assessment questionnaires which highlight control issues and remedial actions taken.
iii.	Information shared during meetings held by the Senior Management Group (SMG) and the Full Senior Management Group (FSMG).
iv.	The audit, evaluation and advisory reports of the Office of Internal Oversight (OIO), the Evaluation and Audit Advisory Committee (EAAC) and the External Auditor, which provide reports on both the compliance of the accounts with the financial regulations and on the governance, risk management and internal controls, as well as the operational performance of selected areas of ICAO.
v.	The Ethics Officer who provides confidential advice and guidance to the management and staff on ethics and standards of conduct, as well as advice to the Council on policies and procedures related to ethical issues.
vi.	The EAAC which reviews the accounting and financial reporting process, the system of internal control, the risk and audit process, and the compliance with financial regulations and rules, to advise the Council.
vii.	Council's observations and decisions.

13. OIO held discussions with relevant personnel and reviewed documentation and reports as to how the above information is quality assured and disseminated to the Secretary General as the basis to inform his annual statement.
14. OIO also conducted a survey with other entities of the UN system and analyzed their responses to gauge whether such UN entities prepare an annual SIC, the process and method employed, as well as to compare their annual SICs to determine if ICAO could benefit from certain positive attributes incorporated within those annual SICs.

15. OIO also ensured that the concerns of the EAAC raised in its previous sessions were catered for during this review engagement and these are embedded in the review and analysis performed.

## Review Objectives and Scope

16. The objectives of this review were to:
  - a) Assess whether the annual SIC is prepared duly considering the results of the reports issued by oversight functions in a consistent manner.
  - b) Determine if the annual Management Assurance Statement and Declaration (MASD) submitted by all Directors/Heads of Office are quality checked for their consistency, accuracy, factual correctness and completeness in accordance with the established methodologies.
  - c) Carry out a benchmarking survey with the United Nations (UN) common system entities with a key focus on identifying best practices that could be adopted by ICAO.
17. A review of the procedures, process and methodology related to the annual SIC preparation exercise was performed. Discussions were held with relevant personnel on the process followed. All MASD responses from Senior Management were reviewed and analyzed. Finally, the summary report shared with the Secretary General to inform his annual statement was reviewed.

## Completion, analysis and review of the annual MASD

18. For the 2023 financial year, all Directors/Heads of Office submitted their MASD attestation within the deadline set by the Secretary General. A total of 28 (100%) responses were received. OIO performed a high-level review of the attestation questions contained in the MASD template and compared these to other UN entities and noticed that in essence, the questions and approach followed were similar in nature.
19. However, slight variations were noted when Directors/Heads of Office completed the MASDs, instructions were not followed fully in that their attestations lacked adequate context/justification.
20. Further, recurring, or common internal control weaknesses noted in the current and/or previous year were not tracked and monitored for each bureau/office to ensure that their internal controls move to "fully implemented" within a reasonable timeframe.
21. In addition, the MASD responses were not vetted for factual correctness and accuracy, though they were reviewed for completeness. SPCP informed OIO that as the MASD is an assurance document based on each bureau/office's operations, it is signed by the Directors/Heads of Office confirming that the information submitted is factual and correct. SPCP indicated that it performed spot checks on the answers and created a consolidated summary MASD report and compared it to the prior year's results to find any significant changes for further follow-up by the Secretary General and that SPCP was not requested to follow up with the Directors/Heads of Offices.
22. OIO is of the view that since the MASDs are a key input to the Secretary General's sign-off of the annual SIC, a validation process should be implemented. SPCP indicated that this would be time intensive and may require additional resources, and the Office will not be able to meet the SIC and annual financial statements reporting deadline.
23. OIO believes that it is important to establish monitoring controls and compliance checks to assess the effectiveness of controls, which will add value to the overall control environment.
24. Lastly, it was observed that several MASD statements were submitted on behalf of the Director/Head of Office. OIO noted that while other entities of the UN system also have such attestations submitted by their senior management, the completion and submission of these attestations cannot be delegated or submitted on their behalf. This is to ensure and enforce an ethos of full accountability for the factual correctness of the representations that they make.

Recommendation 1	Enhance the process of validating attestations made in the annual MASD and monitor results.
Priority	Medium
FIN should strengthen the overall process for the preparation of the SIC to:	
(i) validate the attestations made in the signed MASDs for accuracy and factual correctness to provide greater assurance to the Secretary General;	
(ii) communicate results to responsible parties on key control weaknesses noted to ensure that over a period of time, their controls are improved, and	
(iii) reinforce in the annual communication that the instructions to complete the MASD must be fully followed and that the completion and submission of the MASD must not be delegated.	
Closing criteria:	
a) Evidence of validation, including monitoring and tracking of key internal control weaknesses.	
b) Anomalies noted are duly communicated to Directors/Heads of Office/Responsible parties.	
c) Updated MASD template and communication message reinforcing that the instructions to complete the MASD must be fully followed and that the completion and submission of the MASD must not be delegated.	

### Review of documents submitted to inform sign-off

25. In terms of the annual process, prior to the sign-off of the annual statement of internal control by the Secretary General, SPCP sends a summary report to the Secretary General as a key basis to inform his certification.
26. Review of the documentation submitted to the Secretary General indicated that this only entailed a consolidated summary of the annual MASD results. The summary report contained scores based on the responses from bureaus/units. It was unclear how all the criteria presented in the table per paragraph 12 above and included in the "Review of effectiveness" section in the annual SIC, was presented to the Secretary General or taken into account for informing the annual statement. SPCP is of the view that since the draft SIC is reviewed by FIN, OIO, EAAC, and signed off by the Secretary General, there are additional levels of assurance to validate the information. OIO and EAAC do not provide any assurance when they provide input to the draft SIC. This process of strengthening the validation and assurance process of the information presented is the responsibility of SPCP (now FIN due to the dissolution of SPCP).
27. Upon review of the consolidated MASD summary report, OIO was not able to follow how the scores factored in or contributed to the overall statement made by the Secretary General in the annual SIC. The report did not define criteria or thresholds/percentages that would indicate, for example, if a consolidated declaration statement falls below a certain percentage, then it will negate separate disclosure of the related key internal control weakness in the annual SIC.
28. SPCP assured OIO that oversight reports are considered when preparing the annual SIC, though this is not included in the summary report to the Secretary General. SPCP also informed OIO that they cautioned listing sensitive ICAO internal control weaknesses in the SIC as it becomes a public document. SPCP indicated that control weaknesses are addressed through management action plans, and it is mentioned in paragraph 12 of the 2023 SIC that:

*“Control weaknesses identified in individual internal oversight reports, referred to in the 2023 Annual Report of the Office of Internal Oversight (CG-WP/20) to the Council, and in reports issued by the Evaluation and Audit Advisory Committee (EAAC) and the external auditor, the Swiss Federal Audit Office (SFAO), are being addressed through corresponding Secretariat Management Action Plans that are regularly monitored by the respective oversight units.”*

29. It should be noted that the very purpose of an annual SIC is to be transparent by disclosing significant internal control weaknesses. The SIC is a key accountability public document, providing Member States with visibility of how the Secretary General ensured that an internal control framework operated effectively. It draws together the key sources of assurance to provide a holistic and transparent analysis of the key controls, highlighting any identified weaknesses and the plans for improvement.
30. OIO considers that the report summary shared with the Secretary General before the sign-off of the annual SIC could benefit from a consolidated summary of all the criteria contained in the table per paragraph 12 above, rather than only a consolidated summary of the MASD results. This is important so that the Secretary General has a holistic overview and one place where all this information lies, resulting in greater assurance when certifying the SIC.

Recommendation 2	Reporting the results of key internal controls for the year under review
Priority	Medium
For increasing efficiency and assurance, FIN should:	
(i) automate the MASD process to have data easily available for validation and to obtain real-time scores, including identifying significant internal control weaknesses for tracking and following up with the applicable bureaus and offices, and	
(ii) enhance the reporting to the Secretary General to include a consolidated summary of the key internal control weaknesses from key sources of assurance and oversight, resulting in greater assurance for his certification.	
Closing criteria:	
a) Automated tool that consolidates the results of the MASD responses, highlighting anomalies and significant internal control weaknesses that may warrant separate disclosure or actions for continuous improvement.	
b) Evidence of significant or recurring internal control weaknesses being communicated to Directors/Heads of Offices.	
c) Enhanced reporting format that embeds all criteria included in the “Review of effectiveness” section of the SIC in one consolidated report submitted to the Secretary General, prior to certifying the annual SIC.	

### Benchmarking survey results, review and comparison with other UN entities

31. Based on the survey performed by OIO, it was noted that 11 of the 14 entities prepare and publicly disclose an annual statement of internal control.
32. It was noted that ICAO’s process and annual SIC report are closely aligned with those UN entities. The review noted the following positive attributes:
  - a) The SIC is signed at the highest level of authority within the organization, consistent with ICAO’s approach.
  - b) The procedures and process followed by ICAO in the preparation of the annual SIC are consistent with the surveyed UN entities.

- c) The methodology and questions in the self-declarations employed by ICAO are largely consistent with those of the UN entities that OIO surveyed. ICAO uses the Committee of Sponsoring Organizations (COSO)-ERM framework which is the most dominant framework used by 73% of the surveyed UN entities.
  - d) The ICAO annual SIC's structure, content, flow, and statement for assurance are closely aligned with those entities of the UN system.
33. Based on the survey results, there was a wide range of offices/units responsible for the coordination and preparation of the annual SIC, i.e. Finance/Budget, Risk Management, Administration, Planning/Policy Coordination, etc. The most common being the Finance Unit or the Office of the Controller.
34. With the dissolution of SPCP and the reassignment of its ERM and Internal Controls functions to FIN, ICAO should study whether FIN is the most appropriate unit i.e. second-line risk management function being merged with a first-line operating function. Per the COSO framework which includes the 3-lines of defence model, the reassignment of the SIC preparation to a second-line function that is separate from management and business operations in the long term is warranted.
35. A high-level summary of the survey results is included in Annex 2 of this report.
36. OIO further compared the ICAO 2022 and 2023 annual SIC with the SICs of 9 UN entities. The purpose was to determine if ICAO could benefit from positive attributes incorporated within those entities' SICs.
37. Emanating from this comparison, OIO highlights that ICAO may benefit from considering the following best practices to further improve the process and actual output i.e. annual statement of internal control:
- Tabulating the key risks in table form, similar to other UN entities, while summarizing the reporting of risks and mitigation measures.
  - Adding significant internal control weaknesses when such deficiencies warrant separate disclosure, for transparency purposes, after considering that such disclosure would not negatively impact the Organization.
  - Moving paragraph 18 which is currently reported in the "Review of effectiveness" section to the "Statement" section and reword this section to be aligned with the other entities of the UN system. Example below:
    - Management seeks to address any keys risks noted and weaknesses in internal controls during the normal course of ICAO operations or identified in oversight reports. This is ensured by the process in place to follow up the implementation of oversight recommendations during the year under review.
    - I am committed to ensure continuous improvement of the system of internal control and risks noted. However, even effective internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention, and therefore can provide only reasonable but not absolute assurance. Furthermore, because of changes of conditions, the effectiveness of internal control may vary over time.
    - Based on the content of this statement and the evidence that underpins it, I consider that, to the best of my knowledge and information, there have been no material weaknesses that would affect the reliability of the Organization's financial statements, nor are there significant matters arising which would need to be raised in the present document pertaining to the financial year XXX.

- Consider if an update is required with regards to the four bullets under the “Purpose of the system of internal control” per paragraph 3 of the ICAO 2023 SIC.
  - Adding a separate section on Ethics, fraud and corruption prevention, even though such elements are touched upon in the ICAO 2023 SIC, in its current form.
  - Adding specific representation statements in the MASD to help address corporate risks and audit observations that are dependent on the action of bureaus and/or offices. For example, a recurring or long outstanding financial audit observation is not being addressed as its implementation is dependent on the actions of certain bureaus and/or offices in the field, hence, to make these bureaus and/or offices accountable, include such areas in the annual MASD for their actions.
38. OIO notes that the current ICAO SIC does not lack any of the above attributes, hence a formal recommendation has not been issued.

## ANNEX 1: DEFINITION OF AUDIT TERMS

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### 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

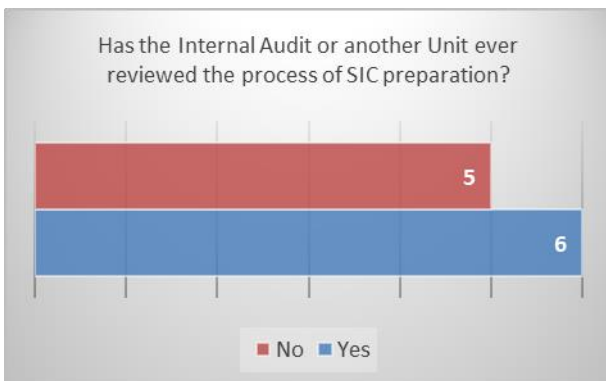
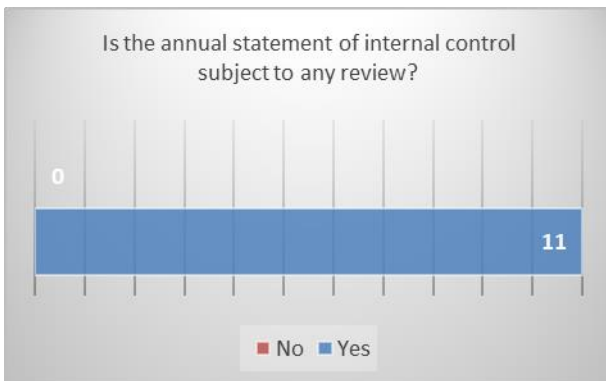
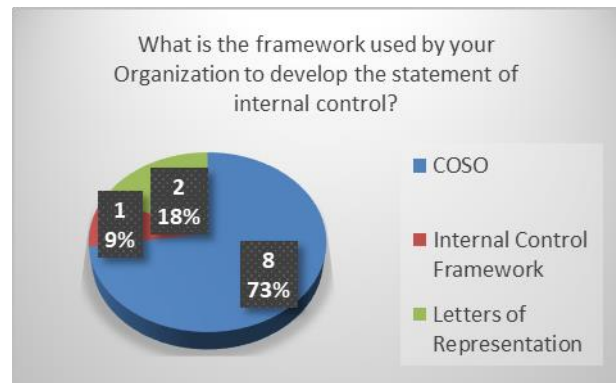
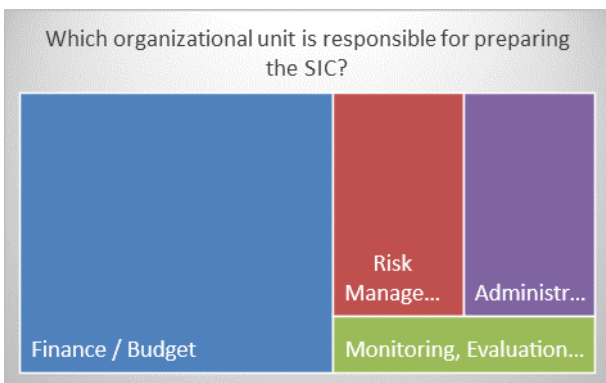
The audit recommendations in this report are categorized according to priority as a guide to management in addressing the issues raised. The following categories are used:

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: BENCHMARKING SURVEY OVERVIEW



## ANNEX 3: MANAGEMENT ACTION PLAN

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/Section Responsible	Target Date
1.	<p>FIN should strengthen the overall process for the preparation of the SIC to:</p> <p>(i) validate the attestations made in the signed MASDs for accuracy and factual correctness to provide greater assurance to the Secretary General;</p> <p>(ii) communicate results to responsible parties on key control weaknesses noted to ensure that over a period of time, their controls are improved, and</p> <p>(iii) reinforce in the annual communication that the instructions to complete the MASD must be fully followed and that the completion and submission of the MASD must not be delegated.</p>	Medium	Y	Management agrees with the recommendation.	<p>(i) MASD attestations will be validated on a sample basis.</p> <p>(ii) Amended MASD process will include the communication to the responsible parties of the key control weaknesses identified.</p> <p>(iii) The compliance with MASD instructions will be reinforced by the simplified automation of the MASD completion and approval process.</p>	FIN and C/PRC	31 March 2025

Ref	Recommendation	Priority Rating	Accepted (Y/N)	Management Comments	Agreed Actions	Office/Section Responsible	Target Date
2.	<p>For increasing efficiency and assurance, FIN should:</p> <p>(i) automate the MASD process to have data easily available for validation and to obtain real-time scores, including identifying significant internal control weaknesses for tracking and following up with the applicable bureaus and offices, and</p> <p>(ii) enhance the reporting to the Secretary General to include a consolidated summary of the key internal control weaknesses from key sources of assurance and oversight, resulting in greater assurance for his certification.</p>	Medium	Y	Management agrees with the recommendation.	<p>(i) Simplified automation of the MASD process will be implemented.</p> <p>(ii) More detailed summary reporting on the MASD results will be provided to the Secretary General.</p>	FIN and C/PRC	31 March 2025