



A38-WP/368
AD/15
27/9/13

ASSEMBLY — 38TH SESSION

ADMINISTRATIVE COMMISSION

**DRAFT TEXT FOR THE GENERAL SECTION OF THE ADMINISTRATIVE COMMISSION'S
REPORT AND FOR THE REPORT
ON
AGENDA ITEMS 49, 50, 51, 52, 53, 54,
55, 56, 57, 58, 59, AND 60**

The attached material on the General Section of its Report and Agenda Items 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, and 60 is submitted for consideration by the Administrative Commission. Resolutions 10/1, 50/1, 51/1, 53/1, 54/1, 55/1, 57/1, 58/1 and 59/1 are also submitted herein for consideration and referral to the Plenary for adoption.

**REPORT OF THE ADMINISTRATIVE COMMISSION
TO THE ASSEMBLY**

1. The Administrative Commission held two meetings between 26 September and 4 October 2013.
2. Mr. Pierre Tankam (Cameroon) was elected Chairperson of the Administrative Commission at the Plenary Meeting of the Assembly held on 24 September 2013.
3. The Commission, at its first meeting, elected Mr. Sanjiv Gautam (Nepal) as its First Vice-Chairperson and Dr. Elizabeth García (Ecuador) as its Second Vice-Chairperson as proposed by Belgium and seconded by China.
4. Representatives from 64 Member States attended one or more meetings of the Commission.
5. The President of the Council, Mr. Roberto Kobeh González, was present at the first meeting of the Commission and addressed the staff with an opening introductory statement and then proceeded to the Executive Committee. The Secretary General, Mr. Raymond Benjamin, accompanied the President of the Council at the first meeting of the Commission.
6. The Secretary of the Commission Mr. R. Bhalla, Chief, Finance Branch introduced the representatives of the Secretariat for the Commission: Mr. J.-Y. Cossette, Chief, Accounting Services Section and Ms. L. Lim, Budget Officer, acted as Deputy Secretaries; Mr. A. Bilaver, Strategic Planning Officer, and Ms. X. Liu, Accounting Officer, acted as Assistant Secretaries; Mr. A. Byrne, Treasury Officer, Mrs. P. Romano, Head, Accounts Receivable Unit, and Ms. L. Hadbi, Business Planning Specialist acted as Liaison Officers; and Ms. A. Borsellino, Personal Associate to the Chief of Finance Branch as Chief Clerk of the Administrative Commission.

Working arrangements

7. At its first meeting, the Chairman of the Commission outlined his expectations for the session and indicated that there had been extensive discussion of all items at the Finance Committee and Council meetings. It was therefore anticipated, in the interest of time and efficiency, that the Commission's agenda be dealt with expeditiously, and that, if possible, the number of meetings be reduced. In particular, a proposal was made at the introduction of the Budget by Mr. Mark Rodmell, (United Kingdom) requesting that the Budget Working Group and Contributions Working Group were not needed and that the items for consideration in these groups be tabled at the Commission instead, without referral to these groups. This proposal was supported by several Members, namely the United States, Singapore and France, and the Commission jointly agreed to the proposal. Presentations on both the Budget and the Scales of the Assessment were made by the Secretary of the Commission instead in order to provide a detailed view on both subject matters.
8. The Commission agreed unanimously that the Contributions Working Group not be established in future Sessions of the Assembly.

Agenda

9. Items referred to the Commission by the Plenary and Executive Committee were considered.

- 49 Annual Reports of the Council to the Assembly for 2010, 2011 and 2012
- 50 Budgets for 2014, 2015 and 2016
- 51 Confirmation of Council action in assessing the contributions to the General Fund and determining advances to the Working Capital Fund of States which have adhered to the Convention
- 52 Arrears of contributions of the former Socialist Federal Republic of Yugoslavia
- 53 Contributions in arrears
- 54 Assessments to the General Fund for 2014, 2015 and 2016
- 55 Report on the Working Capital Fund
- 56 Disposition of cash surplus/deficit
- 57 Amendment to the Financial Regulations
- 58 Review of expenditures, approval of accounts and examination of Audit Reports for the financial years 2010, 2011 and 2012
- 59 Appointment of External Auditor
- 60 Other issues for consideration by the Administrative Commission

10. The documents and working papers considered by the Commission are listed by agenda items in the Appendix to this report (see page *).

11. The action taken by the Commission in respect of each item is reported on separately in the paragraphs that follow. The material is arranged according to the numerical sequence of the agenda items considered by the Commission.

Conclusion

12. The Commission expressed gratitude and appreciation of the professional manner in which the Chairman, Mr. Pierre Tankam, coordinated the proceedings of the Commission. Both the Secretariat and Chairman were commended by the Commission for their efficiency, which allowed the expeditious completion of all Agenda Items in a single session/meeting and suggested that this efficiency should be used as an example for future Sessions of the Assembly.

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* Will be provided in final edition of the report.

Agenda Item 49: Annual Reports to the Council to the Assembly for 2010, 2011 and 2012

49.1 Certain parts of the Annual Reports of the Council to the Assembly for 2010, 2011 and 2012 and the supplementary report covering the first six months of 2013 falling within the Commission's field of competence were referred by the Plenary, for the Commission's review.

49.2 At its first meeting, the Commission noted the content and presentation of the section entitled 'Financial Statement' for the years 2010, 2011 and 2012 and the supplementary report covering the first six months of 2013 of the Annual Reports (Docs 9952, 9975 and 10001 and Supplement).

49.3 The Commission recommends to the Plenary that the section entitled 'Financial Statement' of the Annual Reports be approved.

Agenda Item 50: Budgets for 2014, 2015 and 2016

50.1 The Administrative Commission had before it working paper A38-WP/57, AD/8 related to the Draft Budget of the Organization for 2014, 2015 and 2016, submitted by the Council.

50.2 At the first meeting of the Administrative Commission, held on 26 September 2013, the President of the Council presented the Draft Budget of the Organization for 2014, 2015 and 2016 (A38-WP/57, AD/8). The President stated that in formulating the Draft Budget, the Council expanded the number and scope of the Strategic Objectives of the Organization in order to address, in a more strategic manner, the new priorities, issues and pressures facing global civil aviation. ICAO now has five Strategic Objectives: Safety, Air Navigation Capacity and Efficiency, Security and Facilitation, Economic Development of Air Transport, and Environmental Protection. The Draft Budget retains the results-based format but the new structure better reflects the management process within the Organization.

50.3 The President provided some key highlights of the Draft Budget which included the following: (a) costs are collected by function to better reflect how the substantive bureaus are managed; (b) strengthening of the Regional Offices, including greater technical assistance and a new Regional Sub-Office in the Asia and Pacific Region; (c) introduction of new initiatives such as Remotely Piloted Aircraft Systems, Search and Rescue, Global Navigation Satellite System, and Annex 19; (d) a strengthened Human Resources function as recommended by the Statutory Auditors; (e) additional resources for the Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan); and (f) the continuation of the split assessment to mitigate possible erosion in exchange rates.

50.4 In addition, the President emphasized that the Draft Budget maintains the average Assessment of Member States for the next three years at the 2013 level, while retaining all important, existing activities and incorporating incremental initiatives. To help achieve the stabilization of the Assessments, the Ancillary Revenue Generation Fund will continue to contribute to the Draft Budget. The Commission was also informed that the Working Group established by the Council to review the methodology used in calculating the scales of assessment had recommended that no change be brought to the methodology. Thus the methodology as approved under Assembly Resolution A36-31 will continue to be utilized.

50.5 A presentation was delivered by the Secretariat on the proposed Budget of CAD286.5 million as presented in paper A38 WP/57, AD/8. The Secretariat highlighted the fact that the Draft Budget is a Zero Nominal Growth (ZNG) budget, built off by holding constant the 2013 Assessments, as instructed by Council. Approximately 62% of the Draft Budget is for programme-related activities and 38% for support activities. Approximately a quarter of the Draft Budget is for the seven regional offices. It was also reiterated that Council-approved budget framework changes has been incorporated in the Draft Budget. The Budget includes Outputs, Deliverables, Key Performance Indicators (KPIs) and Targets. More detail is provided in the Draft Budget with respect to posts and nature of expense as was recommended by the Statutory Auditors.

50.6 To accommodate all of the requirements in the Draft Budget within the limitation imposed on the Assessments, the Commission was informed that a net of 18 post reductions has to be made, including several measures that were taken, such as the increase in the vacancy rate and the reduction of mission travel costs, mainly at Headquarters. The Secretariat added that this is a very tight

budget that will require constant monitoring of spending and human resource management in order to maintain the vacancy rate.

50.7 The Commission noted the Council requirement to regularly report on performance management, in particular on its objectives/indicators/targets and implementation. The Secretariat will be working with the Council on this to agree on a set of specific KPIs.

50.8 Many Delegations expressed their support of the Draft Budget including the ZNG definition of utilizing the 2013 Assessment as the baseline. It was also acknowledged that a budget working group is not necessary, as the budget discussions during the Council sessions were intensive and inclusive, with many opportunities provided to the Member States to review the draft proposal.

50.9 The Chairman thanked the Council and Secretariat for its work in preparing the draft Budget.

50.10 The Administrative Commission supports the Draft Budget and recommends that the Assembly adopt the following draft Resolution relating to the Indicative Budget Estimates of the Administrative and Operational Services Costs of the Technical Cooperation Programme and the Budget for the Regular Programme of the Organization for 2014, 2015 and 2016.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Draft Resolution 50/1:

Budgets for 2014, 2015 and 2016

A. *The Assembly*, with respect to the Budget 2014-2015-2016, *notes* that:

1. in accordance with Article 61 of the Convention, the Council has submitted and the Assembly has considered annual budget estimates [indicative estimates for the Administrative and Operational Services Costs of the Technical Co-operation Programme (AOSC)] for each of the financial years 2014, 2015 and 2016;

2. in accordance with Articles 49 (e) and 61 of the Convention, the Assembly approves the budgets of the Organization.

B. *The Assembly*, with respect to the **Technical Co-operation Programme**:

Recognizing that the AOSC are mainly financed by fees from implementation of projects assigned to ICAO for execution by external funding sources such as Governments, the United Nations Development Programme and other sources;

Recognizing that the Technical Co-operation Programme cannot be determined with a high degree of precision until such time as the Governments of donor and recipient countries have decided on the relevant projects;

Recognizing that due to the situation cited above, the annual AOSC net budget figures shown below in Canadian dollars (CAD) for the years 2014, 2015 and 2016 represent indicative budget estimates only:

	2014	2015	2016
Estimated	8 300 000	8 400 000	8 500 000
Expenditures			

Recognizing that technical co-operation is an important means of fostering the development and safety of civil aviation;

Recognizing the circumstances facing the Technical Co-operation Programme of the Organization and the necessity to take continuing measures; and

Recognizing that in the event that the AOSC operation for any given financial year ends in a financial deficit, such deficit should first be met from the accumulated surplus of the AOSC Fund and a call for support from the Regular Programme Budget would be the last resort.

Resolves that the Indicative Budget Estimates of the Administrative and Operational Services Costs of the Technical Co-operation Programme are hereby approved on the understanding that subsequent adjustments to the Indicative Budget Estimates shall be made within the framework of the annual AOSC Budget Estimates in accordance with the provisions of Article IX of the Financial Regulations.

C. *The Assembly*, with respect to the **Regular Programme**:

Resolves that:

1. separately for the financial years 2014, 2015 and 2016, the following amounts in Canadian dollars, requiring an outlay of funds, are hereby authorized for expenditure for the Regular Programme in accordance with the Financial Regulations, and subject to the provisions of this Resolution:

	2014	2015	2016	Total
Strategic Objective				
SAFETY	23,219,000	24,097,000	24,721,000	72,037,000
AIR NAVIGATION CAPACITY AND EFFICIENCY	17,353,000	17,628,000	18,353,000	53,334,000
SECURITY AND FACILITATION	8,903,000	9,148,000	9,342,000	27,393,000
ECONOMIC DEVELOPMENT OF AIR TRANSPORT	3,138,000	3,178,000	3,534,000	9,850,000
ENVIRONMENTAL PROTECTION	4,474,000	4,557,000	5,129,000	14,160,000
Programme Support	12,651,000	12,767,000	13,136,000	38,554,000
Management & Administration	15,581,000	15,788,000	16,078,000	47,447,000
Management & Administration - Governing Bodies	7,433,000	7,574,000	8,756,000	23,763,000
TOTAL AUTHORIZED APPROPRIATION	92,752,000	94,737,000	99,049,000	286,538,000
Operational	92,224,000	94,139,000	98,625,000	284,988,000
Capital	528,000	598,000	424,000	1,550,000

2. the separate annual Total Authorized Appropriation be financed as follows in Canadian dollars, in accordance with the Financial Regulations:

	2014	2015	2016	Total
a) Assessments on States	86,120,000	88,075,000	92,355,000	266,550,000
b) Reimbursement from AOSC Fund	1,231,000	1,260,000	1,291,000	3,782,000
c) Transfer from ARGF Surplus	5,082,000	5,082,000	5,082,000	15,246,000
d) Miscellaneous Income	319,000	320,000	321,000	960,000
TOTAL:	92,752,000	94,737,000	99,049,000	286,538,000

Agenda Item 51: Confirmation of Council action in assessing the contributions to the General Fund and determining advances to the Working Capital Fund of States which have adhered to the Convention

51.1 At its first meeting, the Commission considered A38-WP/251, AD/14 and noted that subsequent to the 37th Session of the Assembly, one new State, South Sudan, adhered to the Convention and became a Member State of ICAO.

51.2 After consideration, the Administrative Commission approved the draft Resolution as presented below and proposed Resolution 51/1 for adoption by the Assembly.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 51/1

Confirmation of Council action in assessing the contributions to the General Fund and determining advances to the Working Capital Fund of States which have adhered to the Convention

The Assembly:

1. *Notes* that:
 - a) Financial Regulations 6.9 and 7.5 provide that the Council shall, if the Assembly is not in session, determine the assessment of contributions and the advance to the Working Capital Fund of a new Member State, subject to approval or adjustment at the next regular session of the Assembly; and
 - b) the Council has acted accordingly in respect of the State which became member of the International Civil Aviation Organization after the 37th Session of the Assembly, and assessable, as indicated below;
2. *Confirms* the action of the Council in assessing the contribution and the advance to the Working Capital Fund of the following State at the percentage rate indicated, such assessment rate to apply from the assessable date indicated:

Name of New Member State	Date of Membership	Date from which Assessable	Assessment Rate
South Sudan	10 November 2011	1 December 2011	0.06%

Agenda Item 52: Arrears of contributions of the former Socialist Federal Republic of Yugoslavia

52.1 At its first meeting, the Commission noted the Oral Status Report presented by the Secretary, which deals with the arrears of contributions of the former Socialist Federal Republic of Yugoslavia (SFRY) relating to the years 1990 to 1992.

52.2 Given that the Administrative Commission and Plenary agreed at the 37th Session of the Assembly that this item should be referred to the Assembly only if there is a significant change in the status of the arrears of contributions of the former Socialist Federal Republic of Yugoslavia there is has been no need for a formal written report and the status is simply noted as such.

Agenda Item 53: Contributions in arrears

53.1 At its first meeting, the Commission considered A38-WP/44, AD/5 regarding the application of funds from incentive scheme for the settlement of long-outstanding arrears (Report on Assembly Resolutions A34-1 and A35-27).

53.2 The Commission also considered A38-WP/43, EX/30, AD/4, Revision No. 1, and Appendix C to Addendum No. 1, which provide information on the financial aspects of the question of contributions in arrears as at 18 September 2013 and those Member States that had their voting rights deemed suspended as at 20 September 2013. The working paper had previously been considered by the Executive Committee at its first meeting, following which the Plenary approved the draft Resolution in Appendix D.

53.3 The Commission notes the Resolution 10/1 below as approved by the Executive Committee and as adopted by the Plenary on Wednesday, 25 September 2013.

53.4 The Administrative Commission supports and recommends that the Assembly adopt the following Resolution 53/1 relating to Incentives for the settlement of long-outstanding arrears.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
ADOPTED BY THE ASSEMBLY**

Resolution A10/1: Discharge by Member States of financial obligations to the Organization and action to be taken in case of their failure to do so

Whereas Article 62 of the *Convention on International Civil Aviation* provides that the Assembly may suspend the voting power in the Assembly and in the Council of any Member State that fails to discharge, within a reasonable period, its financial obligations to the Organization;

The Assembly:

Considering that Article 6.5 of the *ICAO Financial Regulations* provides that contributions from Member States shall be considered due and payable in full as of the first day of the financial year to which they relate;

Noting that the delays in payment of current year contributions have constituted an obstacle to the implementation of the work programme and created serious cash flow difficulties;

Urges that all Member States in arrears make suitable arrangements for liquidating their arrears; and

Urges all Member States and, in particular, the States elected to the Council, to take all necessary measures to pay their contributions on time;

Resolves that:

1. all Member States should recognize the necessity to pay their contributions at the beginning of the year in which they fall due, in order to avoid the need for the Organization to draw on the Working Capital Fund to make good the shortfall;
2. the Secretary General be directed to dispatch to all Member States, at least three times in the year, schedules showing the current amounts due for the current year and up to 31 December of the previous year;
3. the Council be authorized to discuss and conclude arrangements with Member States, whose contributions are in arrears for three or more years, for the settlement of accumulated arrears to the Organization, any such settlements or arrangements to be reported to the next session of the Assembly;
4. all Member States that are three years or more in arrears in the payment of their contributions should:
 - a) effect without delay payment of the amounts outstanding with respect to advances to the Working Capital Fund, the current year contribution, and partial settlement of their arrears in the amount of 5 per cent of the arrears; and
 - b) conclude within six months of the date of the payment referred to in sub-paragraph a) above, if they have not already done so, an agreement with the Organization for the settlement of the balance of their arrears, such agreement to provide for the payment annually, in full, of their current contributions and the balance of the arrears in instalments over a period of no more than ten years, which period may, at the discretion of the Council, be extended, to a maximum of twenty years in respect of special cases, i.e. those Member States which are classified by the United Nations as Least Developed Countries;
5. the Council should further intensify the current policy of inviting Member States in arrears to make settlement proposals for the liquidation of long-outstanding arrears of contributions in accordance with the provisions of Resolving Clause 4 above, taking full account of the economic position of the States concerned including the possibility of accepting other currencies in accordance with the provisions of Article 6.6 of the Financial Regulations, to the extent that the Secretary General can use these currencies;
6. the voting power in the Assembly be suspended for those Member States in arrears for an amount equal to or in excess of the total assessments for the three preceding financial years and of those Member States not in compliance with agreements entered into in accordance with Resolving Clause 4 b) above, such suspension to be revoked immediately upon the settlement of outstanding amounts due under agreements; and
7. the voting power in the Council be suspended for those Council Member States that have annual assessed contributions or part thereof, in arrears for longer than 18 months, such suspension to be revoked immediately upon the settlement of outstanding amounts due; and

8. the voting power of a Member State suspended under Resolving Clause 6 may also be restored by action of the Assembly or the Council provided:

- a) it has already concluded with the Council an agreement that provides for the settlement of its outstanding obligations and for the payment of current contributions and has complied with the terms of that agreement; or
- b) the Assembly is satisfied that the State's willingness to reach an equitable settlement of its financial obligations to the Organization has been demonstrated;

9. any State whose voting power has been suspended by the Assembly under Article 62 of the Convention may have it restored by the Council under the conditions stipulated in Resolving Clause 8 a) above, provided that a willingness on its part to reach an equitable settlement of its financial obligations to the Organization has been demonstrated;

10. the following additional measures be applied to those Member States whose voting rights have been suspended under Article 62 of the Convention:

- a) lose eligibility to host meetings, conferences, workshops and seminars which are funded, in whole or in part, by the Regular Programme;
- b) receive only the same free documentation as that provided to non-Member States, including those available in electronic media, and any other documents that are essential for safety, regularity or efficiency of international air navigation;
- c) Nationals or Representatives lose eligibility for nomination to elected offices;
- d) for purposes of recruitment to posts in the Secretariat, if all other circumstances are equal, candidates from States in arrears would be considered as having the status of candidates from a State that has already achieved the desired level of representation (under equal geographical representation principles), even if it has not achieved that level; and
- e) lose the right to participate in the ICAO Familiarization course;

11. only those States which have no outstanding annual assessed contributions except for the current year's assessment will be eligible for election to the Council, Committees, and bodies;

12. the Secretary General be directed to report to Council any voting rights deemed to be suspended and suspension revoked under Clauses 6 and 7, and to apply measures stipulated in Clause 10 accordingly; and

13. this Resolution supersedes Assembly Resolution A37-32.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 53/1

Incentives for the settlement of long-outstanding arrears

The Assembly,

Recalling the concern expressed by previous Assemblies at the increase in the contributions in arrears;

Reiterating the necessity of all Member States to pay their contributions on the date on which they fall due;

Noting that a number of States have had their voting power suspended in the Assembly and the Council in accordance with Assembly Resolution [A38-xx];

Reaffirming the extreme importance of participation by all States in the activities of the Organization;

Noting that the cash surplus had traditionally been distributed to those Member States that have paid their contributions for the financial years for which the surpluses had been determined; and

Wishing to encourage States to liquidate their arrears and at the same time provide incentives for doing so;

Resolves that:

1. the distribution of cash surpluses be restricted to Member States that, at the date of the distribution of the surpluses, have paid their contributions for the financial years for which the surpluses had been determined and that the entitlement to the surpluses be terminated for States which have outstanding contributions for the years concerned, except for those States with agreements and which have complied with the terms of their agreements;
2. Member States with arrears of three full years or more and which either have existing agreements or enter into agreements for settlement of long-outstanding arrears, and which have complied with the terms of their agreements, shall have their share of cash surplus distributed even though they have not paid the assessments for the financial years for which the surpluses had been determined;
3. with effect from 1 January 2005, subject to cash surplus availability, only that portion of a payment from a Member State that is in excess of the sum of the three preceding years' assessments and all instalments due under agreements entered into under Resolving Clause 4 of Assembly Resolution A37-32 shall be retained in a separate account to finance expenditure on aviation security activities, and new and unforeseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes, such action to be under the control of the Council and reported to the next ordinary session of the Assembly;
4. the Council be requested to closely monitor the question of outstanding contributions, and the effects of the incentive schemes on payment of arrears by States, and report to the next ordinary session of the Assembly on the results of their efforts including other measures to be considered; and
5. this Resolution supersedes Assembly Resolution A35-27.

Agenda Item 54: Assessments to the General Fund for 2014, 2015 and 2016

68.1 At its first meeting, the Administrative Commission examined A38-WP/93, AD/13, on the proposed draft scales of assessment for the triennium 2014, 2015 and 2016.

68.2 It was clarified that there was no change to the Methodology, therefore, the existing assessment principles will be maintained.

68.3 The Administrative Commission recommends that the Plenary adopt draft Resolution 54/1.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 54/1

Assessments to the General Fund for 2014, 2015 and 2016

The Assembly:

1. *resolves* that the amounts to be assessed on Member States for 2014, 2015 and 2016 pursuant to Article 61, Chapter XII, of the Convention shall be determined in accordance with the scales set out in the Appendix to A38-WP/93, AD/13.

Agenda Item 55: Report on the Working Capital Fund

55.1 At its first meeting, the Administrative Commission examined A38-WP/42, AD/3, which reports on the adequacy of the level of the Working Capital Fund, the financial position of the Organization, and the financial trends affecting the necessary level of that Fund. The Commission noted the action by the Council to increase the level of the Working Capital Fund to USD 8.0 million for the next triennium. The Commission agreed to recommend to the Assembly to authorize the Council to increase the Working Capital Fund to USD 10.0 million if an increase was warranted and to maintain the borrowing power at \$ 3.0 million for the next triennium.

55.2 After consideration, the Commission recommended adoption of the following Resolution.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 55/1

Working Capital Fund

The Assembly:

1. *Notes that:*
 - a) in accordance with Resolution A37-28, the Council has reported upon, and the Assembly has considered, the adequacy of the level of the Working Capital Fund and the related borrowing authority;
 - b) the accumulation of contributions in arrears has constituted, together with the delays in payment of current year contributions, a growing obstacle to the implementation of the work programme while creating financial uncertainty;
 - c) based on past trends, there is a high risk that the level of the Working Capital Fund may not be sufficient to cover the needs in the foreseeable future;
 - d) experience has shown that in general payments are not made at the beginning of the year when contributions are due and that ICAO cannot rely on contributions being paid even by the end of the year to which they relate and that such unacceptable avoidance of their financial obligations under the Convention by some Member States is leading to a potential financial crisis within the Organization that could impact all Member States;
 - e) as long as the cash flow remains uncertain, ICAO would need the Working Capital Fund as a buffer on which it could draw to meet its unavoidable cash commitments; and
 - f) the Council reviewed the level of the Working Capital Fund in February 2013 and determined that the level of the Working Capital Fund may have to be revised

upwards if the outstanding balance of assessments receivable does not decline. Although the balance of assessments receivable declined slightly by 6.0 per cent from 2011 to 2012, assessments receivable increased by 3.0 per cent from 2010 to 2012.

2. *Urges:*

- a) all Member States to pay their assessments as early as possible in the year in which they fall due in order to lessen the likelihood of the Organization having to draw on the Working Capital Fund and resort to external borrowing; and
- b) the Member States in arrears to meet their obligations to the Organization as promptly as possible, as called for by Resolution [A38-xx].

3. *Resolves that:*

- a) the level of the Working Capital Fund should be increased to USD 8.0 million;
- b) the Council shall continue to monitor the level of the Working Capital Fund no later than November 2014, 2015 and 2016, to determine if an increase is urgently needed during that year or for the following year;
- c) if the Council determines that it is warranted, the level of the Working Capital Fund shall be established at a level no higher than \$ 10.0 million, subject to increases resulting from advances paid by new States becoming members of the Organization after approval of the scales. Such adjustment to the Working Capital Fund will be based on the scales of assessment in effect for the year for which the increase in the level of the Working Capital Fund is approved;
- d) the Secretary General be authorized, with the prior approval of the Finance Committee of the Council, to finance regular and supplementary appropriations that cannot be financed from the General Fund and the Working Capital Fund, by borrowing externally amounts needed to meet immediate obligations of the Organization, and that the Secretary General be required to repay such amounts as rapidly as possible; the outstanding total of such indebtedness of the Organization at no time to exceed \$3.0 million during the triennium;
- e) the Council shall report to the next ordinary session of the Assembly:
 - i) on the adequacy of the level of the Working Capital Fund in the light of experience during 2013, 2014 and 2015;
 - ii) whether the financial position of the General Fund and the Working Capital Fund would indicate the need for assessing Member States for cash deficits caused by arrears of contributions;
 - iii) on the appropriateness of the level of the borrowing authority; and
- f) This resolution supersedes Resolution A37-28.

Agenda Item 56: Disposition of cash surplus/deficit

56.1 At its first meeting, the Commission examined A38-WP/41, AD/2, dealing with the disposition of cash surplus/deficit.

56.2 The Commission noted the financial results for the year ended 31 December 2012, showing a cash deficit of \$8.5 million as of the end of December 2012. The Commission noted that this deficit is considered temporary and may be eliminated by the immediate payment of all assessments in arrears by Member States. The Commission confirmed that there is no need to assess Member States to finance the deficit.

Agenda Item 57: Amendment of the Financial Regulations

57.1 The Commission reviewed, during its first meeting, A38-WP/40, AD/1 that presents amendments to the Financial Regulations 5.6 and 7.6.

57.2 In concluding the review of the proposed changes to the Financial Regulations, the Commission recommends the adoption by the Assembly of Draft Resolution 57/1 below.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 57/1**Amendment of the Financial Regulations**

Whereas the Council is respectful of the position of the Assembly in approving the Budgets and Appropriations of the Organization;

Whereas the Council is able to meet on a regular basis to deal with exigencies and developments affecting the amounts appropriated;

Whereas the Council requires the flexibility between Assembly sessions to accommodate changes in the financing needs;

The Assembly resolves that the amendments as set out below to Financial Regulations 5.6 and 7.6 are confirmed pursuant to Financial Regulation 14.1.

Reg. No.	Edited changes	New revised text
5.6	The Secretary General up to 10 per cent per appropriation for each Strategic Objective or Supporting Strategy and, above this percentage, the Council, irrespective of its authority under Regulation 5.9 to effect transfers between Strategic Objectives or Supporting Strategies, may determine that any unspent balance of appropriations in any financial year during the period between normal triennial sessions of the Assembly be carried over to the following year. The total of expended and carried over appropriations shall not exceed the Total Authorized Appropriation plus amounts carried over from the previous year. Any balance of unspent appropriations and appropriations not carried over to the following year shall be cancelled.	The Secretary General up to 10 per cent per appropriation for each Strategic Objective or Supporting Strategy and, above this percentage, the Council, irrespective of its authority under Regulation 5.9 to effect transfers between Strategic Objectives or Supporting Strategies, may determine that any unspent balance of appropriations in any financial year be carried over to the following year. The total of expended and carried over appropriations shall not exceed the Total Authorized Appropriation plus amounts carried over from the previous year. Any balance of unspent appropriations and appropriations not carried over to the following year shall be cancelled.
7.6	Income including from investments of, and bank interest earned on, the Working Capital by a Fund and the General Fund shall be credited to the General that Fund except:	Income including bank interest earned by a Fund shall be credited to that Fund except: a) Income from investments and bank interest earned by the General Fund and Working

Reg. No.	Edited changes	New revised text
	<p>a) as Miscellaneous Income. Income from investments and bank interest on any other earned by the General Fund and Working Capital Fund shall be credited to that other the General Fund as miscellaneous income; and</p> <p>b) Income from investments and bank interest earned by Funds established in support of the Technical Co-operation Programme shall be credited to the Administrative and Operational Services Cost Fund (AOSC) or to the Contributor as specified under the Agreement with the Contributor.</p>	<p>Capital Fund shall be credited to the General Fund as miscellaneous income; and</p> <p>b) Income from investments and bank interest earned by Funds established in support of the Technical Co-operation Programme shall be credited to the Administrative and Operational Services Cost Fund (AOSC) or to the Contributor as specified under the Agreement with the Contributor.</p>

Agenda Item 58: Review of expenditures, approval of accounts and examination of Audit Reports for the financial years 2010, 2011 and 2012

58.1 At its first meeting, the Commission considered the Audited Financial Statements of the Organization and the corresponding audit reports presented as A38-WP/58, AD/9 and Document 9969 Revised for 2010; A38-WP/59, AD/10 and Document 9987 for 2011; A38-WP/46, AD/7 and Document 10015 for 2012 and the consolidated draft Resolution in A38-WP/60, AD/11, Appendix B.

**CONSOLIDATED RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 58/1: Approval of the accounts of the Organization for the financial years 2010, 2011 and 2012 and examination of the Audit Reports thereon

Whereas the accounts of the Organization for the financial years 2010, 2011 and 2012 and the Audit Reports thereon, submitted by the Cour des comptes of France - a member of the Joint Panel of External Auditors of the United Nations and Specialized Agencies - as the External Auditor of ICAO, have been submitted to the Assembly after being circulated to Member States;

Whereas the Council has examined the Audit Reports and submitted them to the Assembly for its review; and

Whereas in accordance with Chapter VIII Article 49 (f) of the Convention, expenditures have been reviewed;

The Assembly:

1. *Notes* the Reports of the External Auditor on the Financial Statements as well as the Secretary General's comments to the Report of the External Auditor for the financial year 2010;
2. *Notes* the Reports of the External Auditor on the Financial Statements as well as the Secretary General's comments to the Report of the External Auditor for the financial year 2011;
3. *Notes* the Reports of the External Auditor on the Financial Statements as well as the Secretary General's comments to the Report of the External Auditor for the financial year 2012;
4. *Approves* the audited Financial Statements for the financial year 2010;
5. *Approves* the audited Financial Statements for the financial year 2011; and
6. *Approves* the audited Financial Statements for the financial year 2012.

Agenda Item 59: Appointment of External Auditor

59.1 At its first meeting, the Commission noted A38-WP/45, AD/6, reporting on action taken by the Council to appoint an External Auditor to audit the accounts of the Organization for the next triennium and seeks confirmation by the Assembly of the action taken by the Council, in accordance with Article XIII of the Financial Regulations.

59.2 In conclusion, the Commission recommended and requests the Assembly to confirm the appointment of the Mr. Giuseppe Cogliandro, President of the Audit Chamber for Community and International Affairs of the Corte dei Conti of Italy as ICAO's External Auditor for the accounts of the financial years 2014, 2015 and 2016; and

59.3 Accordingly, the following Draft Resolution 59/1 is recommended for adoption by the Assembly.

**RESOLUTION FRAMED BY THE ADMINISTRATIVE COMMISSION
AND RECOMMENDED FOR ADOPTION BY THE ASSEMBLY**

Resolution 59/1

Appointment of the External Auditor

The Assembly:

1. *Notes that:*

- a) the Financial Regulations provide that, subject to confirmation by the Assembly, the Council shall appoint an External Auditor to the Organization; and
 - b) the Council reviewed the nominations submitted by Member States in 2013 and approved the appointment of Mr. Giuseppe Cogliandro, President of the Audit Chamber for Community and International Affairs of the Corte dei Conti of Italy, a member of the Panel of External Auditors of the United Nations and Specialized Agencies, as ICAO's External Auditor for the accounts of the financial years 2014, 2015 and 2016, in accordance with Financial Regulation 13.1.
2. *Expresses* its sincere appreciation to Mr. Didier Migaud, Premier président of the Cour des comptes of France, for the high quality of his service to the Organization as its External Auditor (2008-2013) and for his effective and cooperative assistance during that period to the officials and organs of ICAO; and

3. *Confirms:*

- a) the action taken by the Council in appointing Mr. Giuseppe Cogliandro, President of the Audit Chamber for Community and International Affairs of the Corte dei Conti of Italy as ICAO's External Auditor for the accounts of the financial years 2014, 2015 and 2016.

Agenda Item 60: Other issues to be considered by the Administrative Commission

60.1 At its first meeting, the Commission reviewed A38-WP/60, AD/11, presented by the Secretary of the Administrative Commission and noted the draft terms of reference, which were no longer required due to the elimination of both the Contributions and Budget Working Groups, and proposed for adoption by the Assembly the consolidated Draft Resolution arising from Item 58 entitled *Approval of the accounts of the Organization for the financial years 2010, 2011 and 2012 and examination of the Audit Reports thereon*.

- END -