



ICAO

Doc 10089

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2016



Documentation for the 40th Session of the Assembly in 2019

INTERNATIONAL CIVIL AVIATION ORGANIZATION



| ICAO

Doc 10089

Financial Statements and Reports of the
External Auditor for the Financial Year Ended
31 December 2016

Documentation for the 40th Session of the Assembly in 2019

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Published in separate English, Arabic, Chinese, French, Russian and Spanish editions by the
INTERNATIONAL CIVIL AVIATION ORGANIZATION
999 Robert-Bourassa Boulevard, Montréal, Quebec, Canada H3C 5H7

For ordering information and for a complete listing of sales agents and
booksellers, please go to the ICAO website at www.icao.int

**Doc 10089, *Financial Statements and Reports of the External Auditor for the
financial year ended 31 December 2016***

Order Number: 10089

NOT FOR SALE

© ICAO 2017

All rights reserved. No part of this publication may be reproduced, stored in a
retrieval system or transmitted in any form or by any means, without prior
permission in writing from the International Civil Aviation Organization.

**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2016**

INTERNATIONAL CIVIL AVIATION ORGANIZATION
FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2016

TABLE OF CONTENTS

		PAGE
PART I	REPORTS BY THE SECRETARY GENERAL	
	Presentation	I - 1
	Statement on Internal Control	I - 15
PART II	OPINION OF THE EXTERNAL AUDITOR	II - 1
PART III	FINANCIAL STATEMENTS	
Statement I	Statement of Financial Position	III - 1
Statement II	Statement of Financial Performance	III - 2
Statement III	Statement of Changes in Net Assets	III - 3
Statement IV	Statement of Cash Flow	III - 4
Statement V	Statement of Comparison of Budget and Actual Amounts	III - 5
	Notes to the Financial Statements	III - 6
PART IV	TABLES	
Table A	Regular Activities by Fund	IV - 1
Table B	Aviation Security Trust Funds	IV - 3
Table C	Regular Programme – Assessments Receivable from Member States	IV - 4
Table D	Technical Co-operation Project Activities by Group of Funds	IV - 7
Table E	Technical Co-operation Project Activities - Trust Funds and Management Service Agreements	IV - 8
Table F	Technical Co-operation Project Activities - Civil Aviation Purchasing Service Funds	IV - 10
PART V	REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORTS OF THE EXTERNAL AUDITOR	

PART I: REPORTS BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART I: REPORTS BY THE SECRETARY GENERAL

PRESENTATION

1. INTRODUCTION

1.1 The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations and was created with the signing in Chicago, on 7 December 1944, of the *Convention on International Civil Aviation*. ICAO is the permanent body charged with the administration of the principles laid out in the Convention. It sets the standards for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection, and encourages their implementation.

1.2 ICAO's membership comprises 191 Member States. Its Headquarters are in Montréal and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris as well as a regional sub-office in Beijing.

1.3 ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Member States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last met in September 2016.

1.4 The Council, composed of representatives from 36 States, is elected by the Assembly for a three-year term and provides continuing direction to the work of ICAO. The Council is assisted by the Air Navigation Commission, the Air Transport Committee, the Finance Committee, the Committee on Unlawful Interference, Human Resources Committee, the Committee on Joint Support of Air Navigation Services and the Technical Co-operation Committee.

1.5 The Secretariat has five main divisions: the Air Navigation Bureau, the Air Transport Bureau, the Technical Co-operation Bureau, the Legal Affairs and External Relations Bureau, and the Bureau of Administration and Services. The Finance Branch and Evaluation and Internal Audit Office are also part of the Secretariat and report to the Secretary General. The regional offices, working under the Secretary General's direction, are primarily responsible for maintaining liaison with States to which they are accredited and with other appropriate organizations, regional civil aviation bodies and the United Nations Regional Economic Commissions. The regional offices promote implementation of ICAO policies, decisions, Standards and Recommended Practices (SARPs) and regional air navigation plans and provide technical assistance when requested.

1.6 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit to the Council for consideration and recommendation to the Assembly the financial statements of ICAO for the year ended 31 December 2016. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2016 financial statements are also submitted to the Council and Assembly as well as my comments (reflected in the Secretary General's Comments) thereon.

1.7 Unless otherwise indicated, the financial statements and the accompanying note disclosures, which form an integral part of these financial statements, and this report, are presented in thousands of Canadian Dollars (CAD).

2. FINANCIAL REPORTING AND BUDGET PERFORMANCE HIGHLIGHTS

Adoption of International Public Sector Accounting Standards (IPSAS)

2.1 As reported in Note 1 to the financial statements, ICAO has continued to fully apply IPSAS in 2016. These standards have been adopted by the United Nations organizations to replace the United Nations System Accounting Standards (UNSAS). IPSAS are a set of independently developed accounting standards, which require adoption of accounting on a “full accrual” basis. Full accrual is considered best accounting practice by international organizations for the public as well as for the private sector. IPSAS include detailed requirements and guidance, which provide support for financial statements’ consistency and comparability.

Financial Statements

2.2 The following financial statements have been prepared in accordance with IPSAS:

- Statement I: Financial Position;
- Statement II: Financial Performance;
- Statement III: Changes in Net Assets;
- Statement IV: Cash Flow; and
- Statement V: Comparison of Budget and Actual Amounts.

2.3 Also in accordance with IPSAS, the financial statements include Notes that provide narrative descriptions and disaggregation of items disclosed in the financial statements and information about items that do not qualify for recognition in the statements. The Notes also include the presentation of major activities of ICAO by segment as required by IPSAS. Two segments are included in the audited financial statements. The first segment covers on-going regular activities of the Organization, such as the Regular Programme, the revenue generating activities and the administration and support of the technical co-operation programme. The second segment covers the activities of all technical co-operation projects, generally conducted by ICAO at the request of individual States.

2.4 Tables are not part of the audited financial statements. However, since these tables offer more detailed information and support the combined figures to the audited financial statements, they are included in Part IV of this document.

2.5 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2016.

2.6 **Statement I** presents the financial position of the Organization. Assets totalling CAD 426.9 million at 31 December 2016 are mainly composed of cash and cash equivalents amounting to CAD 392.2 million and of assessments and other amounts receivable totalling CAD 28.7 million. Total liabilities amounts to CAD 494.4 million, of which an amount of CAD 312.6 million represents advance receipts mostly for technical co-operation projects, and a long-term liability of CAD 142.4 million for employee benefits recognized on this statement since 2010 with the application of IPSAS.

2.7 This statement also shows an accumulated deficit of CAD 67.5 million, caused by the need to record the employee benefit liabilities under IPSAS. Nonetheless, since current assets exceed current liabilities by an amount of CAD 66.3 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.8 **Statement II** presents the financial performance for the year 2016. There were significant changes made to this statement since 2010 to comply with IPSAS. Revenue from project agreement previously recorded on a cash basis is now recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Sales of publications are also recorded on the accrual basis of accounting, when publications are delivered. There is also a temporary adjustment made to assessed contributions revenue for an amount of CAD 1.4 million during 2016 to take into account the impact of the recognition of long-term receivables at fair value as required by IPSAS. Total 2016 surplus amounts to CAD 7.5 million. Table A shows the result by Fund or Group of Funds for regular activities. Expenses include an amount of CAD 9.9 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. Before the adoption of IPSAS in 2010, most of these benefits were recorded on a cash basis. In 2016, CAD 3.6 million was paid for those benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 6.3 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and surplus of the General Fund of the Regular Programme (CAD 4.5 million) and surplus of the AOSC Fund (CAD 2.0 million) are provided in the following paragraphs.

2.9 With regard to the net surplus of other Funds (CAD 13.1 million), it is explained by surplus of 5 million in Environment Funds, as well as surpluses of 0.4 million in AFI Plan Fund, 1.0 million in AVSEC, 0.6 million in Regional Sub-Office Fund, 4.2 million in Ancillary Revenue Generation Fund and 1.7 million in all other Funds.

2.10 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2016 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.11 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 87.3 million. The balance of the net accumulated deficit at the end of 2016 was CAD 67.5 million. The decrease to the accumulated deficit for 2016 is mainly caused by the actuarial gain of 12.2 million on After-Service Health Insurance (ASHI).

2.12 **Statement IV** gives the breakdown of the variation of cash flow from CAD 379.4 million at 31 December 2015 to CAD 392.2 million at 31 December 2016. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

2.13 **Statement V** shows a comparison between the budget (Regular Programme) and actual amounts. This statement is required under IPSAS because the approved budget and the financial statements are not prepared on the same basis as explained in Note 4 to the financial statements. This Statement also reflects the status of appropriations required by Financial Regulation 12.1.

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Programme

3.1 The 38th Session of the Assembly in 2013, under Clause C of Resolution A38-22, voted appropriations in the amount of CAD 99 049 thousand for the year 2016. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Implementation Strategies are given in Statement V.

3.2 The budgetary result for 2016, in thousands of Canadian dollars, is summarized as follows:

Original Appropriations	99 049
2015 Outstanding Commitments	12 191
Carry-over from 2015	6 647
Decrease in Appropriations	<u>(119)</u>
Approved Revised Appropriations	117 768
2016 Outstanding Commitments	(12 247)
Carry-over to following year	<u>(9 088)</u>
Revised 2016 Appropriations	<u>96 433</u>

3.3 **2015 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 12 191 thousand was approved by the Secretary General to supplement the 2016 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2015.

3.4 **Carry-over from 2015.** In accordance with the Financial Regulation 5.6, an amount of CAD 6 647 thousand was approved by the Secretary General to supplement the 2016 appropriations, financed by savings from 2015, for mandatory and other mission-critical activities that were not budgeted for in 2016.

3.5 **Decrease in Appropriations.** The amount of CAD 89 thousand was decreased because this amount was not reimbursed to the Regular Programme by the AOSC Fund, as approved by Council. This is the difference between the amount approved by the Council in C-DEC 200/2 (CAD 1 202 thousand) for the cost recovery in 2014 and the amount approved by the Assembly (CAD 1 291 thousand). In addition, an amount of CAD 30 thousand was transferred from the Regular Programme to the ICAO Programme for Aviation Volunteers (IPAV) fund in 2016, as decided by Council in C-DEC209/7

3.6 **2016 Outstanding Commitments.** The value of obligations entered into in 2016, but delivery against which is only expected in 2017, is CAD 11 007 thousand. Employee entitlements in an amount of CAD 1 240 thousand consisting primarily of accrued leave and repatriation grants are foreseen to be paid to staff separating from ICAO in 2017. Therefore, an amount of CAD 12 247 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2017, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2016.

3.7 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of the appropriations between one Strategic Objective (SO) or Supporting Implementation Strategy (SIS) to another up to 20 per cent of the annual appropriation for each of the SO or SIS to which the transfer is made.

3.8 **Carry-over to Following Year.** Under Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 9 088 thousand is within this limit. The amount being carried over will be used to fund activities that did not get funded by the 2017 budget and those 2016 activities that were deferred to 2017. Like prior years, Programme activities were treated as priority over non-programme activities. Programme activities being funded by unspent 2016 appropriations include mostly from activities related to A-39 decisions, such as Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA); remotely-piloted aircraft systems (RPAS) standards; aviation security and facilitation; aviation medical issues, among others. Deferred activities include lithium battery regional workshops; validation of State progress in the resolution of USOAP CMA findings, and postponed ICVM and USOAP audits. Provision was also made for enhancing technical assistance activities by Regional Office, cybersecurity, conference services, and a new Language Service Management System (LSMS) – all initiatives intended to enhance programme delivery.

3.9 As a result of the increases and transfers outlined in the preceding paragraphs, the final approved appropriation for the year amounted to CAD 96 433 thousand.

3.10 Figure 1 provides a comparison between Budget and Actual amounts for the Revenue and Expenses of the Regular Programme:

FIGURE 1

	<u>2016</u> <u>Budget</u> ¹	<u>Actual</u> ²	<u>Exchange</u> <u>Differences</u>	<u>Actual</u> <u>at Budget Rate</u> ³	<u>2016</u> <u>Outstanding</u> <u>Commitments</u>	<u>Total</u>	<u>Difference</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				= (b)+(c)		= (d)+(e)	= (f) - (a)
							\$
REVENUE							
Assessed Contributions	92 355	106 915	(13 200)	93 715		93 715	1 360
Other Revenue							
ARGF	5 082	5 083		5 083		5 083	1
Miscellaneous	321	562		562		562	241
Reimbursement from AOSC	1 291	1 202		1 202		1 202	(89)
	99 049	113 762	(13 200)	100 562	-	100 562	1 513
EXPENSES							
Staff salaries and employment benefits	90 108	85 041	(8 821)	76 220	8 301	84 521	(5 587)
Supplies, consumables and others	880	465	(87)	378	233	611	(269)
General operating expenses	18 042	14 047	(861)	13 186	3 558	16 743	(1 299)
Travel	5 654	4 919	(420)	4 499	120	4 619	(1 034)
Meetings	2 605	2 132	(173)	1 959	32	1 992	(614)
Other expenses	479	287	(96)	191	3	194	(284)
	117 768	106 891	(10 458)	96 433	12 247	108 680	(9 088)

¹ 2016 Budget-Expenses include carryover (and commitments) from prior year of CAD 18 838 thousand; decrease of CAD 89 thousand in reimbursement to Regular Programme (C-DEC 200/2); and transfer to IPAV of CAD 30 thousand (C-DEC 209/7).

² From Table A, Financial Statements, excluding Working Capital Fund

³ Includes (1) budget exchange gain of CAD 13 200 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD0.9875, and (2) currency exchange loss of CAD 2 743 thousand such as revaluation of balance sheet items.

3.11 **Explanation of Differences – Revenues.** The overall budget of CAD 99 049 thousand (Figure 1, column (a)) refers to the four main funding sources of the Regular Programme Budget for 2016: Assessed Contributions, ARGF Surplus, Miscellaneous Income and Reimbursement from AOSC Fund. For the *Assessed Contributions*, the difference of CAD 1 360 thousand pertains to the discounted amount of the long-term contributions receivable.

3.12 **Explanation of Differences – Expenses.** The overall budget of CAD 117 768 thousand (Figure 1, column (a)) includes the 2016 original appropriations of CAD 99 049 thousand, the carry-over from 2015 along with 2015 Outstanding Commitments of CAD 18 838 thousand and the decrease of CAD 119 thousand. Savings (unutilized appropriations) from 2016 of CAD 9 088 thousand will be carried over to 2017.

3.13 **Exchange Differences.** The exchange differences (Figure 1, column (c)) is composed of the following:

- a) Budget exchange gain of CAD 13 201 thousand. Since 2010, Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2016 (the date when invoices were raised in USD) was higher than the rate used in developing the 2016 budget causing an addition to total assessed contributions of CAD 13 201 thousand; and
- b) The net currency realized exchange loss of CAD 2 743 thousand such as the revaluation of balance sheet items.

The net exchange difference (gain of CAD 10 458 thousand) has been allocated to actual expenditure in order to restate it to the budget exchange rate. The total expenditure restated at the budget rate is shown in Figure 1, column (d)). In this manner, the budgetary savings i.e. difference between budget and actual expenses, have been appropriately adjusted, as shown in Figure 1, column (g)).

Assessment and Reporting Currencies

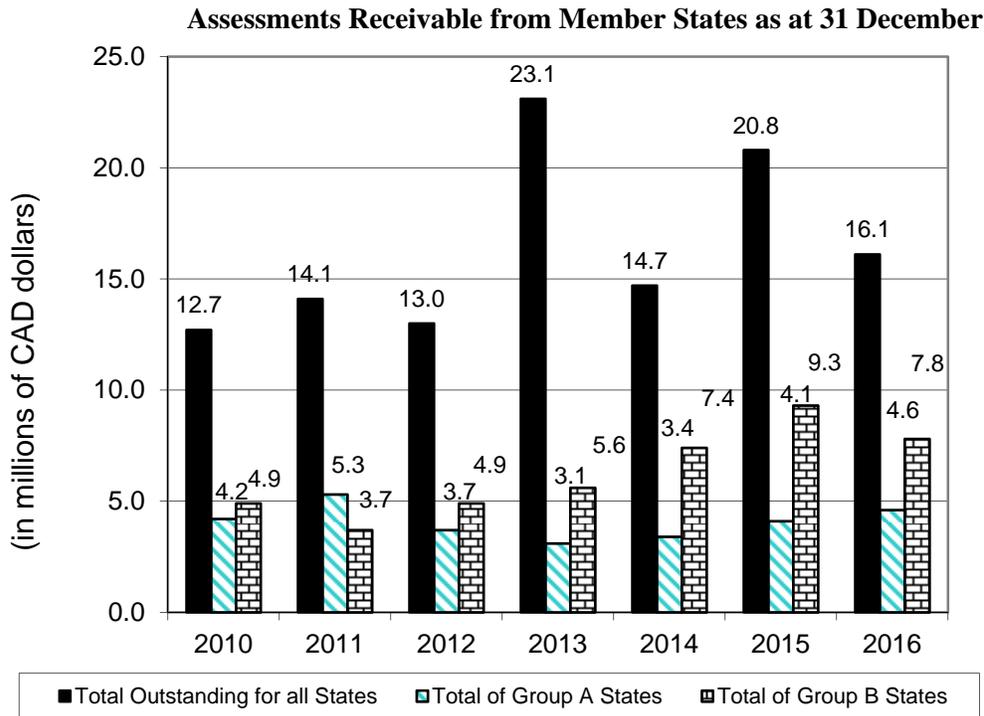
3.14 Assessments on Member States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010 a split assessment was introduced with about three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the financial statements are presented in Canadian dollars from 2008 onwards. This change is applicable to most of the Funds of the Organization for regular activities presented in Segment 1, while Funds presented in Segment 2 related to Technical Co-operation Projects are recorded in U.S. dollars, but presented in Canadian dollars in the financial statements. During 2016, the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.385 at the beginning of the year and CAD 1.354 at the end of the year.

Assessments and Other Voluntary Contributions

3.15 During the year 2016 assessments totalling CAD 101 374 thousand were received and a balance of CAD 4 182 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 17 901 thousand was receivable from States in respect to 2015 and prior years; payment of CAD 7 842 thousand was received, leaving a balance outstanding of CAD 10 059 thousand. The assessments receivable for all years totalled CAD 14 240 thousand as at 31 December 2016 (including the Working Capital Fund). CAD 14 240 thousand includes a

USD assessment component converted at CAD 1.354 yielding a re-valued assessment receivable balance of CAD 16 111 thousand. Details are provided in Table C of Part IV to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 92.38 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2010.

FIGURE 2



3.16 Of the total outstanding contributions of CAD 16 111 thousand at 31 December 2016, CAD 1 072 thousand pertained to States represented on the Council. The following figure provides detail of the assessments receivable in thousands of CAD, by group of States.

FIGURE 3

	Number of States 2016	Amount Outstanding as at 31 December 2016	Number of States 2015	Amount Outstanding as at 31 December 2015
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	12	4 623	11	4 146
Group B: States with contributions in arrears of three full years or more that have not concluded agreements with the Council to liquidate their arrears	15	7 779	18	9 287
Group C: States with contributions in arrears for less than three full years	8	1 031	17	5 695
Group D: States with contributions outstanding only for the current year	16	1 987	43	952
Sub-total	51	15 420	89	20 080
The Former Socialist Federal Republic of Yugoslavia	-	691	-	708
Total Outstanding Contributions	51	16 111	89	20 788

3.17 As at 31 December 2016, 12 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior year's arrears. The note on Table C of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2016.

3.18 Major contributions (*) received for the Regular Programme and other Funds in Segment 1 for 2016 are summarized in thousands of CAD below.

FIGURE 4

Member State	Assessment Received	Contributions In-Kind (Premises)	Contributions in Cash and In-Kind AVSEC	Total
Canada	2 723	21 338	1 797	25 858
United States	23 296		1 610	24 906
Japan	8 518		268	8 786
Germany	6 397		27	6 424
China	5 978		219	6 197
France	4 845	551	153	5 549
United Kingdom	5 035		8	5 043
Italy	3 399			3 399
Spain	2 607			2 607
Brazil	2 438			2 438
Republic of Korea	2 301		89	2 390
United Arab Emirates	1 900		34	1 934
Total	69 437	21 889	4 205	95 531

(*) Twelve highest contributions

3.19 Total expenses in 2016, including those for seconded staff and premises provided without charge, by Strategic Objective and Supporting Implementation Strategies (SIS) and for other activities are shown in thousands of CAD below:

FIGURE 5

	Safety	Air Navigation Capacity and Efficiency	Security and Facilitation	Economic Development of Air Transport	Environmental Protection	SIS	Others	Total
Regular Budget	27 275	19 259	9 993	4 014	4 473	41 877		106 891
Voluntary Funds and other Regular Activity funds Premises	2 890	801	3 368	357	1 476	641 24 122	28 403	37 936 24 122
Seconded Staff (in-kind) (1)								
Argentina	13		88			5		106
Australia		214						214
China	863	385	156	439	76	506		2 425
France	366	137	153					656
Japan			161					161
Korea	233	56	89	4	6	8	207	603
Malaysia	240	33	33	7	4	3		320
Singapore	442	356	70	11	19	160		1 058
Turkey	379	337	38	9	14			777
United Arab Emirates	28	33	34		1	9		105
Others	716	222	1 166	14	50	116	14	2 298
Sub-total Seconded Staff	3 280	1 773	1 988	484	170	807	221	8 723
Total Expenses	33 445	21 833	15 349	4 855	6 119	67 447	28 624	177 672

(1): 10 highest contributions by alphabetical order

Cash Surplus

3.20 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2016 reflected in Table A of Part IV to this document amounted to CAD 14.7 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.8 million and assessments receivable from Member States of CAD 14.2 million resulted in a cash deficit of CAD 10.4 million at 31 December 2016. Reserved surplus totalling CAD 19.5 million includes an amount of CAD 21.3 million to finance 2016 outstanding commitments and appropriations carried over to 2017, plus unrealized exchange gain of CAD 5.8 million, offset by an unrealized discount and provision on assessments receivables of CAD 7.6 million.

Ancillary Revenue Generation Fund (ARGF)

3.21 In 2016, ARGF achieved an operating surplus of CAD 10 355 thousand. This is before payment of the required contribution of CAD 5 082 thousand to the Regular Programme Budget, further costs contribution of CAD 71 thousand to the ICAO Work Programme and charges of CAD 974 thousand made to the cumulated surplus.

3.22 A summary of the ARGF revenue and expenses by business activities, including the Commissariat fund in thousands of CAD is as follows:

FIGURE 6

	Revenue	Expense	Surplus
Publications, Distribution & Printing	8 353	3 457	4 896
Training	4 726	3 248	1 478
Delegation and Conference Services & Rental	3 065	1 888	1 177
Licensing Agreements	2 102	278	1 824
Events	1 889	1 275	614
Periodicals	1 083	819	264
New Product Areas	781	564	217
Commissariat	511	503	8
Websites/e-Products	344	47	297
ARGF Operations and Admin. Fee & Admin. Support Costs	312	732	(420)
Sub-total	<u>23 166</u>	<u>12 811</u>	<u>10 355</u>
ARGF Inter-billing Elimination	(504)	(504)	-
Total	<u>22 662</u>	<u>12 307</u>	<u>10 355</u>
Amount Transferred to Regular Programme	-	5 082	(5 082)
Further Contribution to ICAO Work Programmes	-	71	(71)
Payments made from the Cumulative Surplus	-	974	(974)
Net	<u>22 662</u>	<u>18 434</u>	<u>4 228</u>

3.23 A budgetary comparison of the operating surplus is presented in the figure below in thousands of CAD.

FIGURE 7

	Actual	Budget	Variance
Revenue	23 166	23 304	(138)
Expense	12 811	14 676	1 865
Surplus	<u>10 355</u>	<u>8 628</u>	<u>1 727</u>

3.24 ARGF achieved an operating revenue of CAD 23 166 thousand (99% of budget) and an operating surplus of CAD 10 355 thousand (120% of budget). In 2016, 71% of the overall sales were priced in USD and the favourable USD/CAD exchange rate continued to have a positive impact on the ARGF revenue. Expenses of CAD 12 811 thousand were favourable compared to budget as a result of a combination of minimizing overall costs and unspent expenses in the New Products area.

Administrative and Operational Services Cost Fund (AOSC)

3.25 The AOSC Fund is established to meet the cost of administration and operation of the Technical Co-operation Programme (TCP), and is primarily financed from support costs charged to UNDP, CAPS, Trust Fund and MSA projects. The financial results for the AOSC Fund are reported in Table A of Part IV to this document. A budgetary comparison is presented in the following figure in thousands of CAD.

I-11
FIGURE 8

AOSC Fund Budget and Expenditures for 2016¹

	Submitted to the Assembly ²	Revised Budget 2016 ³	Actual Expenditure/ Income 2016	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	8 510	9 238	9 402	(164)
Income		9 970	11 134	
Excess/(Deficit) of Income over Expenditure		732	1 732	

¹ Excludes TCB Efficiency and Effectiveness Fund.

² Approved by the Assembly in 2013 (A38).

³ Noted by the Council at its 209th Session (C-WP/14509).

⁴ Expenditure includes CAD 336 thousand transferred to a Special Reserve Fund as per C-DEC 200/2 on the mechanism for adjusting the cost apportionment between the Regular Programme Budget and the AOSC Fund.

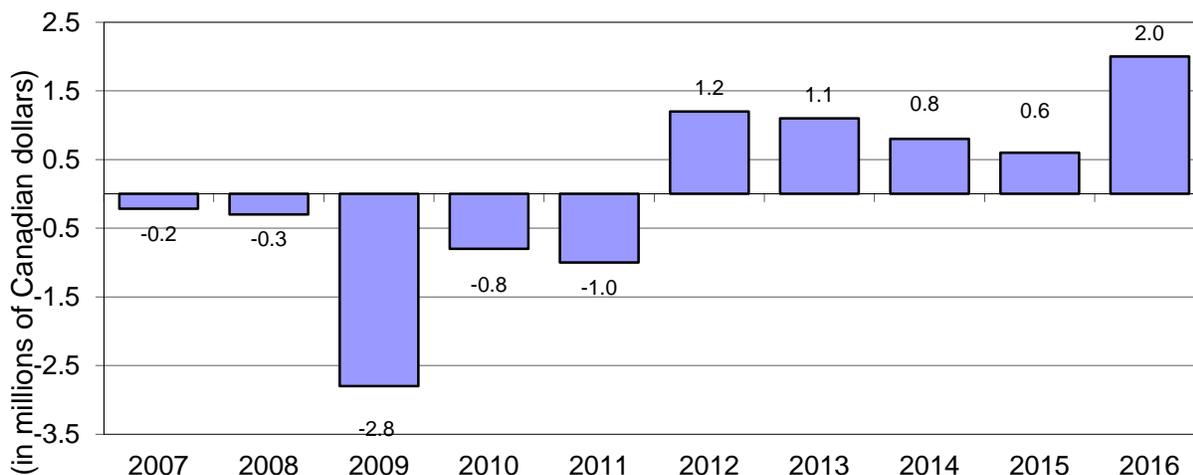
3.26 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 8 510 thousand for the financial year 2016. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2016 Budget Estimates (expenditure) in C-WP/14509. The revised estimated expenditures for 2016 amounted to CAD 9 238 thousand and the estimated income to CAD 9 970 thousand.

3.27 There is an excess of CAD 1 164 thousand in AOSC income versus budget mainly due to the combination of a slightly higher average overhead rate levied against projects implemented by TCB in 2016 and a favourable exchange rate. On the expenditure side, staff costs exceeded the budgeted amount by CAD 164 thousand though the overall result was a total positive variance of CAD 1 732 thousand between income and expenditures.

3.28 The following figure reports on the trend in the annual excess (shortfall) over the last ten years in millions of CAD.

FIGURE 9

AOSC Fund Surplus and Shortfall as at 31 December



3.29 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Programme and the Technical Co-operation (TC) Programme be reported to the Council for review. The Council had considered this issue and based on a time survey, approved the amount of CAD 1 202 thousand to be recovered annually by the Regular Programme from the AOSC Fund for Regular Programme Support directly related to projects for the 2014-2016 triennium.

3.30 **Technical Co-operation Programme.** The Technical Co-operation Bureau (TCB) manages the Technical Co-operation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies and procedures as stated in Assembly Resolution A36-17. Through this Programme, ICAO provides a broad spectrum of services, including assistance to States in the review of the structure and organization of national civil aviation institutions, updating the infrastructure and services of airports, facilitating technology transfer and capacity building, promoting ICAO Standards and Recommended Practices (SARPs), Air Navigation Plans (ANPs) and supporting remedial action resulting from the Universal Safety Oversight Audit Programme (USOAP) and the Universal Security Audit Programme (USAP) audits.

3.31 ICAO took steps aimed at increasing TCB's efficiency and quality of services, operational and financial controls and to continually improve the Bureau's working processes through the implementation of a Quality Management System based on the ISO 9001:2008 quality standard. Commencing in 2012, TCB now fully conforms to the ISO 9001:2008 Standard and was re-certified in early 2015 and underwent a surveillance audit in early 2016. The improved processes have contributed to the considerable progress in the Technical Co-operation Programme Performance and the AOSC fund's results in 2014-2016 triennium.

3.32 A rolling three year Management Plan for TCB is prepared in close coordination with the Technical Co-operation Committee, setting the goals and strategies to be followed during the current period with the aim at improving the governance, efficiency and quality of ICAO Technical Co-operation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through a review of the TCB organizational structure, staffing levels, cost savings and efficiency measures.

3.33 Technical Co-operation Projects represent one of the main activities of the Organization. Projects are financed by governments and other donors and the inflows and outflows of financial resources totalled CAD 121.4 million in 2016. Tables D to F in Part IV of this document provide more detail on these projects, summarized by the following figures in millions of CAD.

FIGURE 10

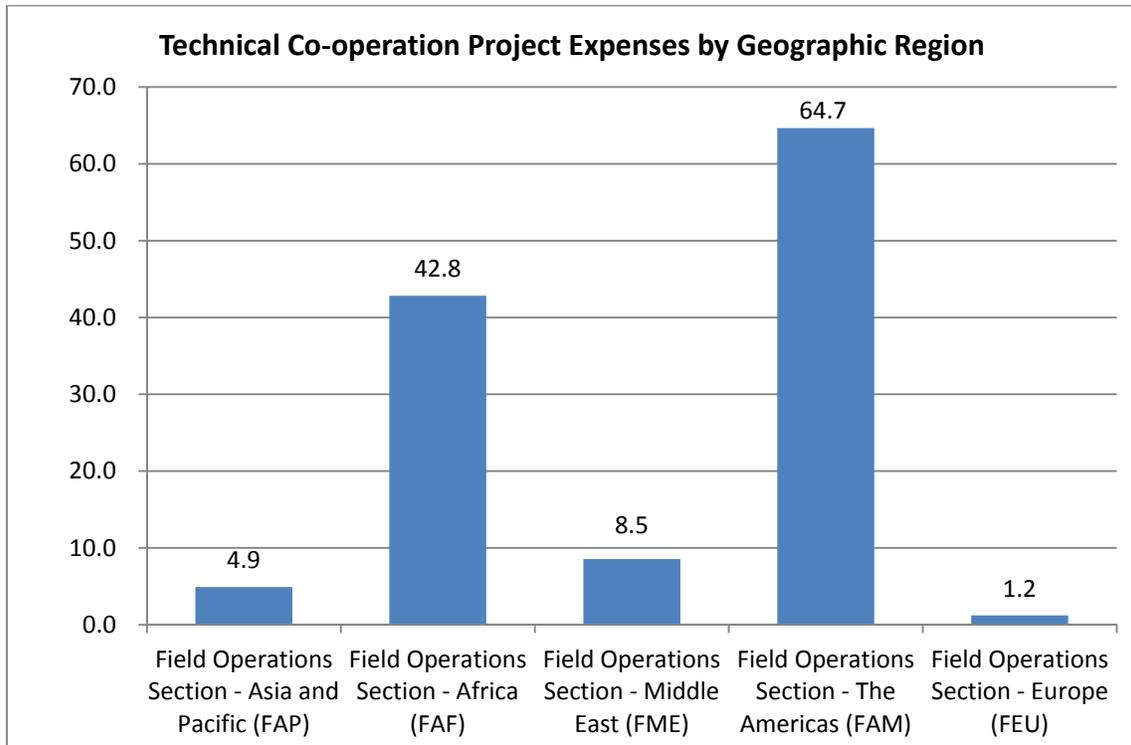
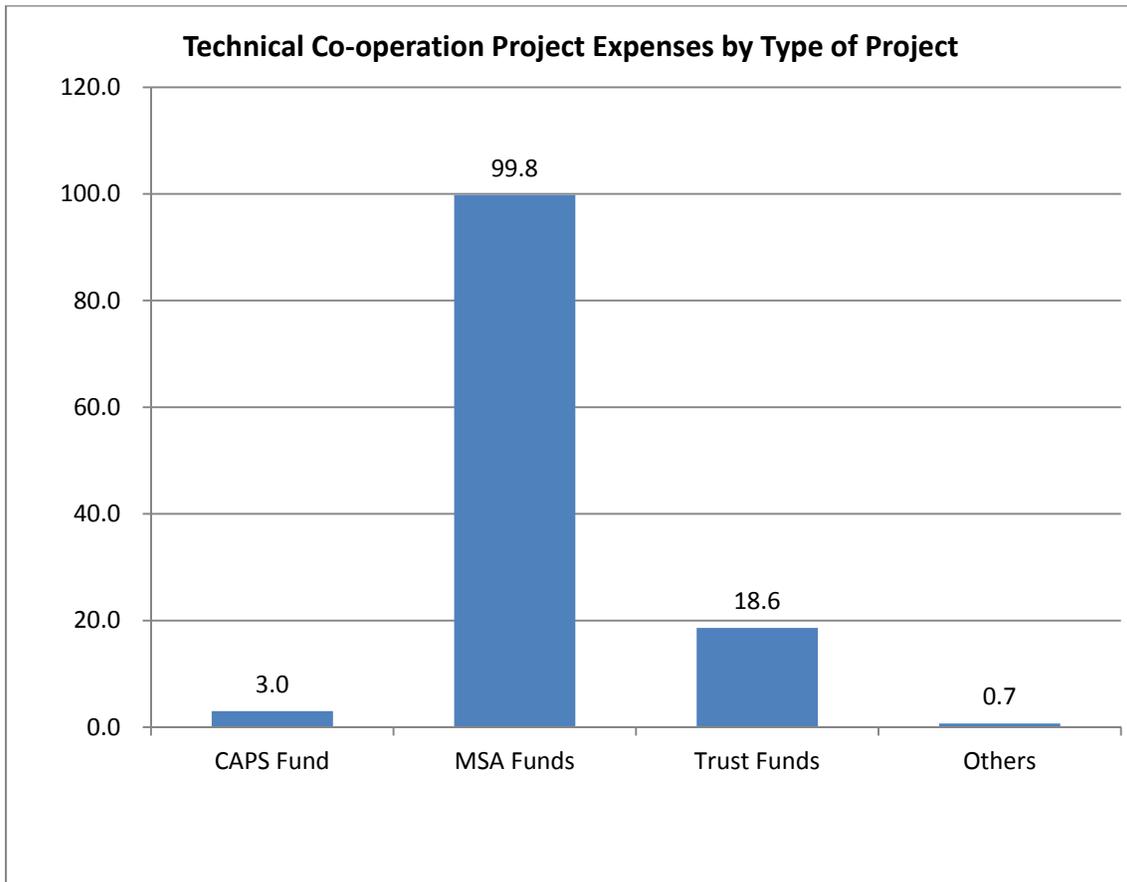


FIGURE 11



4. RESPONSIBILITY OF MANAGEMENT

The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit annual financial statements in accordance with the accounting standards adopted by the United Nations organizations. These financial statements are: Statement I – Statement of Financial Position, Statement II – Statement of Financial Performance, Statement III – Statement of Changes in Net Assets, Statement IV – Statement of Cash Flow and Statement V – Statement of Comparison of Budget and Actual Amounts. The status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly are reflected in this document.

Management is responsible for the preparation and integrity of the Financial Statements. These statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), and necessarily include certain amounts that are based on management's best estimate and judgement. Financial information contained throughout this document is consistent with that in the audited financial statements. Management considers that the financial statements present fairly the financial position of the Organization, its financial performance and its cash flows and the information disclosed in this document is presented in accordance with the provisions of the ICAO Financial Regulations.

To fulfill its responsibility, the Organization maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to both internal and external audit. The External Auditor has audited the Financial Statements, including Notes, and his accompanying report indicates the scope of his audit and his opinion on the Financial Statements.

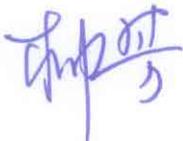
The Council has the responsibility to consider and to recommend the Financial Statements to the Assembly for approval and has the power to request amendments to these statements after issuance by the Secretary General.

As Chief, Finance Branch of the International Civil Aviation Organization, I hereby certify the Financial Statements included in this document.



Rahul Bhalla
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the Financial Statements and Tables for the year 2016.



Fang Liu
Secretary General

Montréal, Canada
30 March 2017

Statement on Internal Control 2016

Scope of responsibility

1. As Secretary General of the International Civil Aviation Organization (ICAO), in accordance with the responsibility assigned to me and, in particular, Article XI of the Financial Regulations, I am accountable for maintaining a sound system of internal control.

Purpose of the system of internal control

2. Internal control is designed to reduce and manage, rather than eliminate, the risk of failure to achieve the Organization's aims, objectives and related policies. Therefore, it can provide reasonable but not absolute assurance of effectiveness. It is based on an ongoing process designed to identify the principal risks, evaluate the nature and extent of those risks and manage them efficiently and effectively.

3. Internal control is a process affected by Governing Bodies, the Secretary General, senior management and other personnel, and designed to provide reasonable assurance on the achievement of the following general internal control objectives:

- a) effectiveness and efficiency of operations;
- b) safeguarding of assets;
- c) reliability of financial reporting; and
- d) compliance with applicable regulations and rules.

4. Thus, on an operational level, ICAO's internal control system is not solely a policy or procedure that is performed at certain points in time but, rather, operated continually at all levels within the Organization through internal control processes to ensure the above objectives.

Capacity to handle risk

5. ICAO initiated in 2012 the deployment of a conceptual framework of internal control that includes a risk management system. ICAO's approach to risk management is an integral and systematic process that is identifying, mitigating, monitoring and communicating top risk events to the Organization.

6. As the Secretary General of the Organization, I chair a senior management group, that is responsible for establishing the control environment and providing the discipline and structure for the achievement of the primary objectives of the system of internal control. The senior management group collaborates with the Sub-Group on ICAO's Corporate Risks Register and Assurance Framework (SGRA) under the direction of Working Group on Governance and Efficiency (WGGE), created by the Council to provide guidance to the Secretariat on how to address the adequacy of the ICAO Corporate Risks Register and Assurance Framework in the future and also on identifying, assessing and monitoring risks associated with the implementation of programmes and projects and the overall operations of the Organization. As proposed by the SGRA and recommended by WGGE, ICAO Council members as well as ICAO Resident Delegations and the Secretariat participated in a one-day workshop facilitated by an external professional for the purpose of assisting with the development of a comprehensive ICAO Corporate Risk Register suitable for the needs of the Council and the senior management of the Organization.

Risk and internal control framework

7. The Organization's risk and internal control framework includes:
- a) the identification of risks classified according to areas of activities, relevance, impact and probability of occurrence; and
 - b) the establishment of a risk management review composed of my senior managers whose mandate is to implement mitigation actions to address major risks, build up an integrated risk-management framework, strengthen a risk management culture, and regularly re-evaluate risks and the Organization's tolerance levels in light of the evolving environment. The documentation of risks and mitigation actions taken and to be undertaken are summarized in risk registers.

8. A comprehensive "Internal Control System Framework" has been designed to ensure that the Organization's objectives are achieved efficiently through the establishment of criteria based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which represents best practice adopted by several United Nations Organizations. The framework is supported by a range of assertions confirmed by senior managers and a range of policies, procedures and processes underpinned by appropriate ethical values.

9. Furthermore, my senior managers and I are committed to a continuous improvement programme to strengthen the system of internal control across the Organization.

Review of effectiveness

10. My review of the effectiveness of the system of internal controls is mainly informed by:
- a) my senior managers, in particular Directors of Bureaus and Chiefs of Offices, play important roles and are accountable for expected results, performance, controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2016, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
 - b) the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services I rely also are provided to me. These include independent and objective information on compliance and programme effectiveness, together with recommendations for improvement;
 - c) the Evaluation and Audit Advisory Committee (EAAC), whose purpose is to advise me and the Council on risk management, financial and internal controls and the related functions of oversight;
 - d) the Ethics Officer, who provides advice and counsel to the Organization and its staff on ethics and standards of conduct, and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior, including conflict of interest;
 - e) the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
 - f) the Council's observations and decisions.

Significant control issues

11. As reported last year, the 2016 statements of assurance on the effectiveness of internal control have identified one significant internal control issue, namely, the absence of the risk assessment process in the Regional Offices (ROs). Although, some of risks that are related to ROs activities are taken into account by headquarters (HQ), the risk management process should be in place in all ROs to enable them to understand, predict and anticipate different risks and any potential damage that they may cause. Risk registers will be implemented in 2017 in all the ROs through their respective annual operating plans. It is imperative to note that the implementation will be accompanied with a training process to help the Regional Directors to identify and monitor their risks in an effective way.

12. The internal audit has also reported in their 2016 audit reports some deficiencies that were rated as “major improvement needed” in regards to the audit of the Ancillary Revenue Generation Fund (ARGF) governance. Areas for improvements included the need to formulate a long-term strategy and more detailed working level business/operational plans; to clearly assign individual managerial responsibilities and accountability for the various ARGF activities; to formally document operating guidelines and procedures; to identify, manage and monitor risks; to prepare a human resources plan, as well as to track and report on the meaningful KPIs. ARGF management has accepted the above recommendations and plans to implement them by the end of 2017.

13. The audit of recruitment of experts and other personnel for TCB projects found that there is need to improve the efficiency and effectiveness of internal work processes within TCB. The audit noted that recruitment requests are often submitted as high priority and/or urgent, and do not factor in the necessary lead time to complete all the required procedures, or take into account the current workload in the Field Personnel Section. TCB has accepted the recommendations to improve internal planning and the efficiency of administrative procedures; to expand the use of automated tools and reports; to take active steps to increase the roster of experts; and to strengthen the oversight by TCB of the recruitment process for locally recruited national project personnel.

14. The audit of the Aviation Security (AVSEC) Fund received also a “some improvement needed” rating due to the the need to finalise the Fund’s terms of reference (ToR) in order to reinforce governance arrangements; the need to review and strengthen the role and authority of the Project Review Committee (PRC); and the need to establish a policy to encourage more voluntary contributions, and a detailed plan of action which identifies the projects to be implemented under the AVSEC Fund, in order to highlight where funding is required. AVSEC Fund ToR was finalized and approved by the Secretary General in 2015 and the PRC ToR was reviewed in 2016 to address the audit findings taking into account the newly established Resource Mobilization Policy that aims at achieving adequate and sustainable voluntary contributions.

15. Funding of the After-Service Health Insurance (ASHI) Liability remains a major ongoing concern for the Organization. In 2014 and 2015, the External Auditor issued a Matter of Emphasis regarding the negative total net assets due to the ASHI liabilities. In 2015, several proposals and measures to reduce the ASHI liability and to contain costs of the current medical plan were evaluated and presented to the Governing Bodies. In 2016, at its 208th session, the Council approved the increase of the retirement age from 62 to 65 years with effect from 1 January 2019 and noted the option of offering incentives to retirees to opt out of the ASHI plan and take up nationally-sponsored healthcare options instead by providing annual annuities of CAD 2 500, indexed to the Canadian Consumer Price Index (CPI), in addition to reimbursement of the premium for the nationally-sponsored healthcare options. The Council also requested the Secretariat to continue monitoring developments at the level of the UN in terms of finding a solution to this very important issue and to present any viable options for funding ICAO’s growing ASHI liability for the Council’s consideration at a later stage. The Secretariat will be conducting consultations with the Staff and retirees as well as with other UN organizations on the opt-out option during the second quarter of 2017.

16. With regard to the identified areas for improvements reported in past years and this year by key managers through their Management Assurance Statements (MAS) on the performance management tool, a new system called the Corporate Performance Management (CPMF) tool will be fully functional in 2017.

17. Concerning the issues reported in the previous year's MAS and for which further corrective actions were needed, significant progress has been made in the following:

- a) there are significant shortcomings in the level of assurance that can be provided by EAO to ICAO's Governing Bodies as a result of a continued lack of resources which is due to limited budget for EAO. In the current triennium, an increase of EAO budget to regularize a professional post was approved; and
- b) There was no specific budget for Ethics Officer (EO) which prevented continuity of his/her work in terms of investigation and training. The budget in the current triennium includes a full time dedicated Ethics Officer and the related travel expenses. As a result, the budget has increased by 44 per cent.

18. On the other hand, funding remains an issue for the following areas:

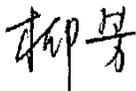
- a) setting apart funds to mitigate the identified risks in risk registers. Funds are not available to address any unforeseen events or emerging priorities.
- b) staff training identified in PACE and which is needed to raise the competency level of staff to allow them to better perform their duties. Funding is not always permitted for all the training identified in PACE.

19. The Internal Control Framework is supported by a living document to be updated and subject to be improved overtime. My senior managers and I are committed to addressing any weaknesses in internal controls identified and to a continuous improvement programme to strengthen the system of internal control across the Organization.

Statement

20. As already noted above, effective internal control, no matter how well designed, has inherent limitations including the possibility of circumvention and, therefore, can provide only reasonable assurance. Furthermore, because of changes in conditions, the effectiveness of internal control may vary overtime.

21. Based on the above, I conclude to the best of my knowledge and information, that ICAO operated satisfactory systems of internal control for the year ended 31 December 2016 and up to the date of approval of the financial statements.



Fang Liu
Secretary General

PART II: OPINION OF THE EXTERNAL AUDITOR



Corte dei conti

AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2016, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2016, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ICAO Financial Regulations and Rules. In the field of financial statements audit, the ISSAIs are a direct transposition from the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs in so far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ICAO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The ICAO Secretary General is responsible for the other information. The other information comprises the “Part IV – Tables (unaudited)”.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the ICAO Secretary General and Those charged with governance for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the ICAO’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary General either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICAO’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICAO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ICAO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of ICAO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in

accordance with the ICAO Financial Regulations and Rules and its legislative authority.

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2016.

Emphasis of matter

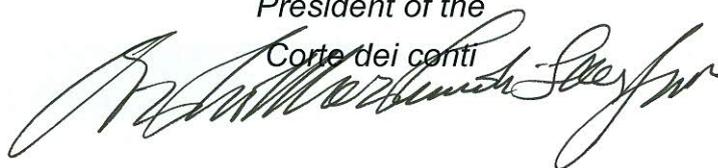
We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-67.5 MCAD), mainly due to the impact of 142.4 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 5 May 2017

Arturo Martucci di Scarfizzi

President of the

Corte dei conti

A handwritten signature in black ink, appearing to read 'Arturo Martucci di Scarfizzi', written over the printed name and title.

PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

(in thousands of Canadian dollars)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	392 172	379 436
Assessed contributions receivable from Member States	2.2	3 992	6 822
Receivables and advances	2.3	19 858	21 065
Inventories	2.4	513	753
Others	2.3	1 747	2 111
		418 282	410 187
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	4 551	5 022
Receivables and advances	2.3	280	354
Property, plant and equipment	2.5	3 017	2 438
Intangible assets	2.6	793	866
		8 641	8 680
TOTAL ASSETS		426 923	418 867
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	312 594	320 324
Accounts payable and accrued liabilities	2.9	29 646	27 871
Employee benefits	2.10	8 301	7 227
Credits to contracting/servicing governments	2.11	1 465	1 674
		352 006	357 096
NON-CURRENT LIABILITIES			
Employee benefits	2.10	142 395	149 102
		142 395	149 102
TOTAL LIABILITIES		494 401	506 198
NET ASSETS			
Accumulated deficit	2.12	(52 759)	(56 544)
Reserves	2.12	(14 719)	(30 787)
		(67 478)	(87 331)
NET ASSETS (ACCUMULATED DEFICIT)		(67 478)	(87 331)
TOTAL LIABILITIES AND NET ASSETS		426 923	418 867

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT II

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of Canadian dollars)

	Notes	2016	2015
REVENUE			
Contributions for project agreements	3.2	121 490	136 300
Assessed contributions	3.2	106 915	92 393
Other revenue producing activities	3.2	21 019	19 061
Other voluntary contributions		14 996	10 912
Administrative fee revenue		959	307
Other revenue	3.2	2 560	13 280
TOTAL REVENUE		267 939	272 253
EXPENSES			
Staff salaries and employee benefits	3.3	157 256	159 504
Supplies, consumables and others	3.3	59 909	66 932
General operating expenses	3.3	21 123	20 057
Travel	3.3	12 104	11 994
Meetings		2 339	1 774
Training		2 857	3 294
Other expenses		4 850	6 248
TOTAL EXPENSES		260 438	269 803
SURPLUS FOR THE YEAR		7 501	2 450

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Accumulated Deficit
Balance at 31 December 2015		(56 544)	(30 787)	(87 331)
Movements in fund balances and reserves in 2016				
Variation to carry forward balance	2.12	(2 497)	2 497	
Variation of actuarial gain/(loss)	2.10		12 198	12 198
Other reclassifications and transfers	2.12	(17)		(17)
Unrealized exchange gain		(1 202)	1 202	
Variation of translation adjustment	2.12		171	171
Surplus of the year		7 501		7 501
Total movements during the year		3 785	16 068	19 853
Balance at 31 December 2016		(52 759)	(14 719)	(67 478)

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of Canadian dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus/(Deficit) for the year		7 501	2 450
(Increase) decrease in contributions receivable	2.2	2 830	(3 331)
(Increase) decrease in receivables and advances	2.3	1 209	(11 259)
(Increase) decrease in inventories	2.4	240	98
(Increase) decrease in other assets	2.3	365	(84)
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	471	(1 306)
(Increase) decrease in non-current receivables and advances	2.3	74	135
Increase (decrease) in advanced receipts	2.8	(7 730)	92 667
Increase (decrease) in accounts payable and accrued liabilities	2.9	1 775	5 590
Increase (decrease) in short-term employee benefits	2.10	1 074	1 189
Increase (decrease) in credits to contracting/servicing governments	2.11	(209)	228
Increase (decrease) in long-term employee benefits	2.10	(6 707)	1 574
Actuarial gain (loss) reflected in reserves	2.10	12 198	7 366
Interest income		(1 345)	(941)
Depreciation and amortization		1 075	1 433
Foreign currency translation adjustment		171	(114)
NET CASH FLOWS FROM OPERATING ACTIVITIES		12 992	95 695
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(1 582)	(1 394)
Interest income		1 345	941
NET CASH FLOWS FROM INVESTING ACTIVITIES		(237)	(453)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfers from net assets to liabilities and other transfers		(19)	(4 694)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(19)	(4 694)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		12 736	90 548
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		379 436	288 888
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		392 172	379 436

The accompanying notes are an integral part of the financial statements.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
REGULAR PROGRAMME GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Original A38-22	Appropriations					Expenditures			Balance			
		2015 Outstanding Commitments ^a	Carry-over from Prior Year ^b	Decrease of Appropriations ^c	2016 Appropriations Before Transfers	2016 Outstanding Commitments ^a	Transfers among SO/SIS ^d	Carried over to following year ^b	2016 Appropriations Revised		Total	Budget Exchange Difference ²	At budget rate of exchange
Safety	24 722	3 114	2 163		29 999	(2 408)	(1 154)	(3 000)	23 437	27 275	(3 839)	23 437	0
Air Navigation Capacity and Efficiency	18 353	1 513	1 199	(3)	21 062	(2 037)	(965)	(2 100)	15 960	19 259	(3 299)	15 960	0
Security and Facilitation	9 341	501	657		10 499	(437)	55	(1 000)	9 117	9 993	(876)	9 117	0
Economic Development of Air Transport	3 535	614	172		4 321	(532)	121	(1 120)	3 790	4 014	(224)	3 790	0
Environmental Protection	5 129	334	244		5 706	(300)	(891)	(571)	3 944	4 473	(529)	3 944	0
Sub-Total	61 080	6 076	4 435	(3)	71 587	(5 715)	(2 834)	(6 791)	56 248	65 014	(8 767)	56 248	0
Programme Support	13 136	2 613	806	(51)	16 503	(2 300)	1 866	(1 310)	14 760	15 342	(582)	14 760	0
Management & Administration	16 078	2 220	1 072	(63)	19 307	(3 177)	289	(487)	15 932	16 769	(836)	15 933	0
Management & Administration - Governing Bodies	8 756	1 282	335	(1)	10 370	(1 055)	678	(500)	9 493	9 766	(273)	9 493	0
Sub-Total	37 970	6 115	2 212	(116)	46 181	(6 532)	2 834	(2 297)	40 185	41 877	(1 691)	40 186	0
Total	99 049	12 191	6 647	(119)	117 768	(12 247)	0	(9 088)	96 433	106 891	(10 458)	96 433	0

^a Approved by the Secretary General, Financial Regulations 5.7.^b Approved by the Secretary General, Financial Regulations 5.6.^c Approved by Council to reimburse Regular Programme \$1,202 million instead of \$1,291 million (C-DEC 2002). In addition, an amount of \$30,000 was transferred to IPAV fund (C-DEC 2097).^d Approved by the Secretary General, Fin. Regulation 5.9¹ Expenditures other than Canadian dollars are reflected at the UN rate of Exchange² Exchange differences: (1) \$13.2 million budget exchange gain due to impact of US dollar transactions budgeted at USD1.00 = CAD 0.9875; and (2) \$2.7 million net currency exchange (realized) loss, such as revaluation of balance sheet items.*The accompanying notes are an integral part of the financial statements.*

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to the Financial Statements
31 December 2016

NOTE 1: ACCOUNTING POLICIES**Basis of Preparation**

1. The financial statements of the International Civil Aviation Organization (ICAO) have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). These standards have been applied since 1 January 2010.
2. As permitted on the initial adoption of IPSAS, transitional provisions have been used until the end of 2015 for the initial recognition of property, plant and equipment (PP&E) (IPSAS 17) including those under finance leases acquired before 1 January 2010. These assets are not reflected on the face of the financial statements, since their net book value is nil as at 31 December 2016.
3. Except as otherwise stated in these statements, the measurement basis used in preparing the financial statements is the amortized cost.
4. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
5. The reporting currency of ICAO is the Canadian dollar (CAD). The functional currency of ICAO regular activities is the CAD. The functional currency of the Technical Co-operation Projects (TCP) is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing UNORE at year-end closing rate, which reasonably approximates the spot rate. Resulting gains or losses are accounted for in the Statement of Financial Performance except for differences arising from the translation of TCP activities into CAD for financial statement presentation purposes which are reflected in Reserves in the Statement of Financial Position.

Cash and Cash Equivalents

6. Cash and cash equivalents comprise cash on hand, cash at banks and short-term deposits.
7. Interest revenue is recognized as it accrues, taking into account the effective yield.

Financial Instruments

8. Financial instruments are recognized when ICAO becomes a party to the contractual provisions of the instrument until such time as when the rights (or the obligation) to receive (to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled).
9. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Receivables include contributions receivable in cash and other receivables. Long term receivables, including assessments receivable, are stated at amortized cost using the effective interest method.
10. Except for assessed contributions received in advance, all liabilities are derived from exchange transactions. All non-derivative financial liabilities are recognized initially at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method.

Inventories

11. Publications and Commissariat items on hand at the end of the financial period are recorded as inventories. Publications are valued at the lower of cost and current replacement cost and commissariat inventory is valued at the lower of cost and net realizable value.
12. The cost of publications includes purchase cost and all other costs incurred in bringing the publications to a saleable or distributable state. The cost of Commissariat items represents the purchase price. Cost is determined on the weighted average basis.
13. Publications and other documents for internal use are expensed when produced.

Receivables and Revenue

14. Assessed contributions represent a legal obligation of Member States. These contributions are revenue from non-exchange transactions recognized at the beginning of the year for which the assessments are levied. Contributions for TCP activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors and are determined by the stage of completion based on the delivery of goods or rendering of services, which ICAO may in some instances consider best estimated by the phased schedule of payments related to applicable contracts for the projects. Other voluntary contributions are generally non-exchange transactions recognized as revenue when confirmed in writing by donors, or otherwise when received.
15. Administrative fees recovered on Technical Co-operation Projects are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects. In accordance with IPSAS, revenue from administrative fees generated by TC projects is recognized based on the stage of completion. The stage of completion is estimated as follows:
 - Ninety per cent of the fee is progressively recognized until and when a purchase order for equipment is issued and the remaining 10 per cent is recognized upon delivery; and
 - For services, the administrative fee is recognized on the basis of cost incurred.
16. A new arrangement for sharing of interest income was introduced in 2011 under which ICAO retains fifty per cent of interest earned from deposit of project funds with an average monthly weighted balance in excess of USD 100 thousand.
17. Other revenues are exchange transactions and balances receivable are presented in receivables and advances.
18. Contributions receivable are shown net of allowances related to reductions in contribution revenue, doubtful accounts and amortization (discount):
 - allowance for reductions in voluntary contribution revenue are reductions of contributions receivable and revenue when the funding is no longer needed by the project to which the contributions was directed or is otherwise unavailable;
 - allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate that a Member State is not capable of discharging its obligation; and

- discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears. These receivables are stated at amortized (discounted) cost using the effective interest method and are therefore presented net of the cumulative discount.
19. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises, transport and personnel.

Property, Plant and Equipment

20. PP&E are stated at historical cost less accumulated depreciation and any impairment losses. Depreciation is provided for PP&E over their estimated useful life using the straight line method, except for land which is not subject to depreciation. The estimated useful life for PP&E classes is as follows:

<u>Classes</u>	<u>Estimated Useful Life (Years)</u>
Buildings	5-50
Information Technology (IT)	3-5
Furniture, Fixtures and Fittings	5-12
Machinery and Office Equipment	3-7
Motor Vehicles	3-10

21. Property, plant and equipment are capitalized if their cost is greater or equal to the threshold limit set at CAD 3 thousand and CAD 25 thousand in the case of leasehold improvements. The threshold level is reviewed periodically. Leasehold improvements are valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.
22. Impairment reviews are undertaken for all PP&E at least annually and any impairment losses are recognized in the Statement of Financial Performance. Impairment indicators include the obsolescence and deterioration of PP&E as well as the cash flow generated by PP&E utilized to generate revenue from a commercial activity.

Intangible Assets

23. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Intangible asset recognition requires meeting strict criteria with respect to being identifiable, being under ICAO's control and contributing future economic benefits or service potential which can be reliably measured. Remaining useful life is also a consideration. Specific criteria were also developed to exclude items acquired below a cost of CAD 5 thousand, and CAD 25 thousand for internally developed assets due to the difficulty to measure with precision internal operational and research costs to be expensed and development costs to be capitalized. As permitted under IPSAS 31, this standard has been applied prospectively effective 1 January 2010.
24. Amortization is provided over the estimated useful life using the straight line method. The estimated useful life for intangible asset classes is as follows:

<u>Class</u>	<u>Estimated Useful Life (Years)</u>
Software Acquired Externally	3-6
Software Internally Developed	3-6
Licenses and Rights and Other Intangibles	2-6
Copyrights	3-10

25. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
26. Impairment indicators include the obsolescence and the deterioration of intangibles as well as the cash flow generated by intangibles when utilized to generate revenue from a commercial activity.

Advanced Receipts

27. Voluntary contributions received before the implementation of Technical Co-operation Projects are recorded as advanced receipts. Revenue is recognized when contributors' requirements are fulfilled, generally when services are rendered by ICAO or when goods are delivered to the project in accordance with the terms of the agreement between contributors and the Organization.
28. Balances of unutilized contributions to be remitted to contributors and funds received before services are rendered or goods delivered by ICAO to third parties are included in advanced receipts.
29. Assessments received from Member States before the year to which they relate are presented under advanced receipts.

Employee Benefits

30. ICAO recognizes the following categories of employee benefits:
 - short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
 - post-employment benefits, such as after-service health insurance benefits;
 - other long-term employee benefits; and
 - termination benefits.
31. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
32. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. ICAO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify ICAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence ICAO has treated this plan as if it

were a defined contribution plan in line with the requirements of IPSAS 25. ICAO's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

33. ICAO recognizes actuarial gains and losses related to after-service health insurance benefits (ASHI) in a reserve account. Under IPSAS 25, actuarial gains or losses for post-employment benefits may be recognized over time using the reserve approach. Under the reserve approach, actuarial gains/losses are presented under Net Assets and not recognized as revenue or expense so as to consider the reasonable possibility that gains/losses will be revised over time. For other separation-related benefits, such as annual leave and repatriation benefits, actuarial gains and losses are recognized immediately and reflected in the Statement of Financial Performance.

Provisions and Contingent Liabilities

34. Provisions are made for future liabilities and charges where ICAO has a present legal or constructive obligation as a result of past events, when it is probable that ICAO will be required to settle the obligation and when the amount can be reliably estimated.
35. Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of ICAO.

Segment Reporting and Fund Accounting

36. A segment is a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. ICAO classifies all projects, operations and fund activities into two segments: i) Regular activities and ii) Technical Co-operation Project activities. ICAO reports on the transactions of each segment during the financial period, and the balances held at the end of the period. Inter-segment charges are based on project agreements.
37. A fund is a self-balancing accounting entity established to account for the transactions relating to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the year the consolidated position of all ICAO's funds. Fund balances represent the accumulated residual of revenue and expenditures.
38. The Regular Activities segment includes the General Fund and the Working Capital Fund of the Regular Programme, special accounts and funds administered for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular Programme Budget of the General Fund may be brought forward to the following financial year under certain conditions. Specific funds and special accounts are established by the Assembly or Council under Financial Regulation 7.1 mainly for special contributions or monies earmarked for specific activities, the balances of which may be brought forward to the succeeding financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions and administrative fees.
39. The Regular Activities segment includes the following Funds or groups of Funds:
 - **The Regular Budget Fund comprises the General Fund** financed by assessed contributions from Member States according to the scale of assessments determined by the Assembly, by miscellaneous income, by the Ancillary Revenue Generation Fund (ARGF)

surplus, and by any advances made from the **Working Capital Fund**. The Working Capital Fund was established by the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and to other Funds in specific cases. The amounts advanced from the Working Capital Fund are reimbursed as soon as funds are available in the General Fund and other Funds.

- **Capital Fund** established for the purpose of recording the acquisitions and the depreciation and amortization of property, plant and equipment and intangible assets for the regular activities.
- **Revolving Fund** established for the purpose of recording the transactions relating to After-Service Health Insurance (ASHI) including unfunded liabilities and other specific liabilities in order to present these transactions separately within the Regular Activities segment.
- **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.
- **Administrative and Operational Services Cost (AOSC) Fund** established under Financial Regulation 9.4. The AOSC Fund recovers the costs of administration, operation and support of TC projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is first to be met from the accumulated surplus of the AOSC Fund and, as a last resort, from the Regular Programme Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation Projects including UNDP projects.
- **Aviation Security (AVSEC) Plan of Action (ASPA)** which includes earmarked funds as well as Special Accounts/Funds established to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general and earmarked contributions and by services in kind as indicated in Note 3.1.
- **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
- **The Joint Finance Funds Comprise Danish and Icelandic Joint Financing Agreements**, which reflect the transactions of the Funds established to report on ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on Contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments. Therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.

- **Incentive for the Settlement of Long-Outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from Contracting States to finance particular activities of the Organization.
- **Information and Communication Technology (ICT) Fund** established to finance improvements to information and communication systems of the Organization.
- **Public Key Directory Fund (PKD)**, a cost-recovery fund, established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
- **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach which will limit administrative costs and will not impose any costs on the Regular Programme Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful and timely manner.
- **Temporary Staff Salaries Fund (TSSF)** set up to finance incremental language services not provided for under the regular budget.
- Under an agreement with the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Members States, ICAO provides certain secretariat services. Disbursements are financed initially from ECAC's revenue collected by ICAO and, when necessary from the General Fund of the Regular Programme funds, which are reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the amount due from or payable to regional bodies.
- **Special Reserve Fund (SRF)** established pursuant to Financial Regulation 7.1 to provide a mechanism to compensate for a potential shortfall caused by a decrease in the AOSC Fund income in any given year. Under a mechanism approved by the Council, to take effect from 2014, the indirect cost to be recovered from AOSC will be first calculated per a formula, but the reimbursement to the Regular Budget will be capped at CAD 1 200 thousand per year. The SRF shall be financed from the amount in excess of the approved annual transfer of CAD 1 200 thousand up to the amount calculated per the formula. If, in any year, there is a shortfall in the AOSC Fund reimbursement determined on the basis of the formula mentioned above, the SRF shall be used to complement the approved annual AOSC Fund transfer of CAD 1 200 thousand to the Regular Budget.
- **Regional Sub-Office (RSO)** with the objective of strengthening the ICAO presence in the Asia and Pacific (APAC) Region, a sub-regional office in the APAC region has been created, whose purpose is to improve airspace organization and management to maximize air traffic management (ATM) performance across that region. The Asia and Pacific Regional Sub-Office has been established in Beijing, People's Republic of China. Under an Agreement between ICAO and the Civil Aviation Authority of China (CAAC), the CAAC is responsible for all operating expenses of the RSO.
- **Human Resources Development Fund (HRDF)** with the objective to provide a mechanism which will allow for the collection and use of voluntary contributions from States and others to develop opportunities for capacity-building in civil aviation in African States in order to assist them to better meet the human resources needs required for operational efficiency and continuous implementation of ICAO's Standards and Recommended Practices (SARPs) and other programme activities.
- **ICAO Programme for Aviation Volunteers (IPAV) Fund** for voluntary contributions for the deployment of aviation professionals, working as volunteers, to provide short-term assistance to States to respond, inter alia, to emergencies affecting the aviation system in the

State, develop capabilities in the implementation of ICAO Standards and Recommended Practices (SARPs), resolve deficiencies in the State's fulfilment of its civil aviation oversight responsibilities and foster self-reliance and growth.

- **Other Funds.** The Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the Environmental Fund, the International Registry Fund and France Co-operation Fund and other Funds or special accounts are included in other Funds.
40. The Technical Co-operation Project Activities segment comprises Technical Co-operation (TC) project funds established by the Secretary General under Financial Regulation 9.1 to administer programmes of Technical Co-operation. The main funding sources of this segment are voluntary contributions for project agreements.
41. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial transactions relating to the UNDP arrangements comply with both ICAO and UNDP directives. Trust Funds and MSAs are designed to cover a broad range of technical co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation agreements referred to as Lump Sum Contracts with Member States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Cash Equivalents

42. Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits. Balances at 31 December are composed of:

	2016	2015
	<i>In thousands of CAD</i>	
Cash in banks	71 789	60 507
Term deposits	320 383	318 929
Total Cash and Cash Equivalents	392 172	379 436

43. As at 31 December 2016, the term deposits had an average interest rate of 0.708 per cent (0.45 per cent on 31 December 2015) and an average term maturity of 152 days (219 days in 2015). Cash includes USD 145 million held in investment savings accounts (USD 195 million on 31 December 2015) with an average interest rate of 0.59 per cent. Cash in banks at year end includes an equivalent amount of CAD 6 880 thousand held on behalf of ECAC.

Note 2.2: Assessed Contributions Receivable From Member States

44. The net assessed contributions receivable balances as at 31 December are composed of:

	2016	2015
	<i>In thousands of CAD</i>	
Current	3 992	6 822
Discounted non-current	4 551	5 022
Total Net Contributions Receivable	8 543	11 844

45. Current contributions receivable are for contributions that are due within twelve months while non-current contributions receivable are those that are due or foreseen to be settled after 12 months from the date of the financial statements as described in the accounting policies for Receivables and Revenue. The gross and net amounts of contributions receivable are as follows:

	2016	2015
	<i>In thousands of CAD</i>	
Assessed contributions – Regular Programme	16 111	20 788
Less:		
Allowance for doubtful accounts	(691)	(708)
Cumulative discount on long-term receivables	(6 877)	(8 236)
Total Net Contributions Receivable	8 543	11 844

46. The following table illustrates the composition of assessed contributions receivable for the Regular Programme.

Year of Assessment	2016		2015	
	<i>In thousands of CAD</i>	%	<i>In thousands of CAD</i>	%
2016	4 131	25.6	-	-
2015	1 814	11.3	6 477	31.2
2014	1 500	9.3	3 444	16.6
2013	1 129	7.0	1 572	7.5
2012 and earlier	7 537	46.8	9 295	44.7
Total	16 111	100.0	20 788	100.0

47. There were no movements of the allowance for doubtful accounts during 2016.

	2015	Utilization	Increase/ (Decrease)	2016
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	708	-	(17)	691

The amount of CAD 691 thousand represents the original amount of USD 511 thousand (equivalent of CAD 501 thousand set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by a decrease, as a result of an exchange gain of CAD 17 thousand in 2016, the resolution of which remains under active discussion at the United Nations General Assembly where there is an expectation that successor States will cover the debt.

48. There were no write-offs of contributions receivable during 2016. An increase or decrease in the allowance for doubtful accounts represents an expense for the period and is reported in the Statement of Financial Performance.
49. There was no balance in the allowance for reductions in contribution revenue during 2016.
50. The movements of the discounted long-term contributions receivables during 2016 are as follows:

	2015	Utilization	Increase/ (Decrease)	2016
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	5 022	(1 831)	1 360	4 551

51. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to fair value upon initial recognition. Since the non-current portions are not due to be collected for more than one year, they are discounted at an interest rate. This amount is reflected as a reduction of the long-term receivable balance. This difference is then gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rates of 2.4 to 4.3 per cent to the scheduled future installment payments.
52. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements with outstanding assessments exceeding three years. Utilization of CAD 1 831 thousand is the reclassification of amounts in arrears as long-term less payments received during the course of the year from States which concluded agreements with ICAO. The increase of CAD 1 360 thousand is the increase in the discounted long-term accounts receivable balance. Following the ICAO Assembly in October 2013, the fair market value of assessments receivable balance was reassessed. It was estimated that although all those receivables remained valid and properly recognized as such in the accounts, the fair market value of the receivable balance of those States which have lost their voting rights over two consecutive Assembly sessions needed to be further reduced. Consequently, such receivables were fully discounted by an amount of CAD 5 996 thousand in 2016. However, there is an improvement in the collection of such receivables in 2016 as their value was decreased by CAD 1 110 comparing to 2015. Since it is impossible to predict which State if any will lose its voting right at the next assemblies, it is impracticable to estimate the financial effect on the discounted receivables in future periods.

Note 2.3: Receivables, Advances and Other Assets

53. Receivables and advances:

	2016	2015
	<i>In thousands of CAD</i>	
Advances to employees	1 408	1 263
Receivables from United Nations Agencies	179	1 219
Others	18 271	18 583
Total	19 858	21 065

54. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.
55. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.
56. Other receivables include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
57. The non-current portion of Receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 343 thousand at 31 December 2016. The discounted amount due from AFCAC reflected in the accounts totals CAD 280 thousand, which represents the non-current portion of the receivable (CAD 354 thousand as at 31 December 2015).

58. Other Current Assets are comprised of:

	2016	2015
	<i>In thousands of CAD</i>	
Recoverable Provincial sales tax	263	243
Recoverable Federal sales tax	145	98
Prepaid expenses	369	491
Recoverable United States income tax	891	1 201
Recoverable Regional Offices sales tax	79	78
Total	1 747	2 111

Note 2.4: Inventories

59. ICAO inventories include the stock of published documents which are printed in house for sale to the worldwide civil aviation community and the stock of duty free items held by the Commissariat store for sale to individuals having diplomatic status.

60. The table below shows the total value of inventories as at 31 December.

	2016	2015
	<i>In thousands of CAD</i>	
Publications on hand—finished goods	300	495
Raw material and work in process	92	96
Total Publications	392	591
Total Commissariat Items	121	162
Total Inventories	513	753

61. Further detail is shown below on the reconciliation of publication and commissariat inventories to reflect the opening balance and the additions during the period reduced by the value of inventories sold and impairment allowance made during the year.

	2016	2015
	<i>In thousands of CAD</i>	
Publications Reconciliation:		
Opening Balance	591	608
Direct material	390	381
Direct labour	1 132	1 214
Indirect costs	644	275
Total inventory purchased and produced	2 757	2 478
Less: Cost of publications sold	(2 090)	(1 785)
Less: Impairments	(275)	(102)
Closing Balance	392	591

	2016	2015
	<i>In thousands of CAD</i>	
Commissariat Items Reconciliation:		
Opening Balance	162	243
Inventory purchased	365	339
Total inventory purchased	527	582
Less: Cost of items sold	(406)	(420)
Closing Balance	121	162

62. Publications and commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.
63. Inventories are valued net of any identified impairments. During 2016, impaired publication inventory including disposal of overstock publications valued at CAD 275 thousand was identified and removed from the inventory records. This write-off represents an expense for the period and is included in the "general operating expenses" line in the Statement of Financial Performance.

Note 2.5: Property Plant & Equipment

64. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montréal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
65. As noted in Note 1 and as permitted on the initial adoption of IPSAS, transitional provisions have been applied to the initial recognition of PP&E. Therefore, the following table presents PP&E acquired since 1 January 2010 and capitalized in the accounts in accordance with IPSAS.

	Opening Balance 1 January 2016	Acquisitions during the Year	Depreciation during the Year	Closing Balance 31 December 2016
	<i>In thousands of CAD</i>			
Furniture & Fixtures	69	18	20	67
IT Equipment	534	212	310	436
Office Equipment	401	63	119	345
Motor Vehicles	160	163	50	273
Leasehold Improvements	467	1 308	238	1 537
Machinery	202	148	63	287
Leasehold Improvements (WIP)	605	(533)	-	72
Total	2 438	1 379	800	3 017

66. No impairment of PP&E was identified in 2016.
67. Prior to 1 January 2010, the cost of non-expendable property, which comprises furniture, vehicles, computers and other office equipment, was charged to expenditure in the year the items were ordered, in conformity with paragraph 43 of UNSAS. These assets as well as other PP&E under finance leases, acquired before 1 January 2010 have not been capitalized, using the transitional period ending in 2015 as permitted by IPSAS 17 and since their net book value is nil as at 31 December 2016, those assets will not be shown on the face of the financial statements. Commitments related to leases are presented in Note 6.

68. The HQ property – Maison de l'OACI was constructed in 1995 and is owned by a private sector organization. This property is leased by the Government of Canada for a duration of 20 years, until 2016. Under the current Supplementary Agreement between the Government of Canada and ICAO that shall remain in force until 2016, the property is occupied in its entirety by ICAO. Rental and operating costs of the building are shared 75:25 between Government of Canada and ICAO. The Government of Canada assumes 100 per cent of the property taxes and has the option to purchase the building at the end of the lease term for CAD 23.5 million. In 2013, a new Supplementary Agreement was signed between the Government of Canada and ICAO, agreeing that the Government of Canada will exercise the option to purchase the building on 30 November 2016. Under the new Supplementary Agreement, the Government of Canada acts as the sole owner of the building and ICAO as the occupant of the entire property. The Government of Canada put the building at the disposal of ICAO rent-free for an additional period of 20 years commencing on 1 December 2016 until 30 November 2036. Additionally, the share paid by ICAO for Operation and Maintenance (O&M) costs, is reduced from 25 per cent to 20 per cent. Thus, the Government of Canada assumes 80 per cent of the O&M costs and 100 per cent of the property taxes.
69. ICAO also owns 46 per cent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 54 per cent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. Other buildings occupied by ICAO are under operating leases or nominal leases.

Note 2.6: Intangible Assets

70. The following table presents intangible assets recognized in the accounts since 1 January 2010.

	Opening Balance 1 Jan. 2016	Acquisitions during the Year	Amortization during the Year	Closing Balance 31 Dec. 2016
	<i>In thousands of CAD</i>			
Software Acquired	274		179	95
Software under Development (WIP)	388	(228)	-	160
Other Intangible Assets	116	-	46	70
Intangible Assets – Licenses and Rights	88	79	45	122
Software Itself Developed	-	351	5	346
Total	866	202	275	793

71. Following the review of intangibles to identify any impairment in their value, it was determined that no intangibles were impaired during the year.

Note 2.7: Financial Instruments

2.7.1 Financial Assets and Liabilities

72. Accounting policies on financial instruments are set out in Note 1. Financial assets of ICAO are categorized as loans and receivables (no derivative investments and saleable financial assets) and the balances as at 31 December are composed of:

	2016	2015
	<i>In thousands of CAD</i>	
Assessed contributions receivable (current)	3 992	6 822
Assessed contributions receivable (non-current)	4 551	5 022
Receivables and advances (current)	19 858	21 065
Receivables and advances (non-current)	280	354
Other assets	1 378	1 619
Total Financial Assets	30 059	34 882

All material financial liabilities are financial instruments stated at amortized cost.

73. ICAO is exposed to financial risks summarized in the following paragraphs.

2.7.2 Credit Risk

74. ICAO's credit risk is spread widely and ICAO's risk management policies limit the amount of credit exposure to any one counter party and include minimum credit quality guidelines.
75. Credit risk and liquidity risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed in highly liquid and diversified money market funds with major financial institutions that have been accorded strong investment grade ratings by a primary rating agency and/or with other credit worthy counterparties.
76. Contributions receivable comprise primarily amounts due from sovereign nations. Details of contributions receivable are provided in Note 2.2. As noted in Note 1 and 2.2, long term contributions are stated at amortized (discounted) cost using the effective interest method. Since these receivables do not bear interest, the interest rate used to calculate the discounted cost is the rate applicable for long-term Canadian government bonds.

2.7.3 Interest Rate Risk

77. ICAO is exposed to interest rate risk through term-deposits. In 2016, the average interest rate and term maturity are provided in Note 2.1. Due to the current low interest rate level risk is minimal.

2.7.4 Foreign Currency Risk

78. At 31 December 2016, cash, cash equivalent and investments are denominated in CAD (10 per cent) and in USD (79 per cent) which are the base currencies used by the Organization (8 per cent in the CAD and 83 per cent in USD base currencies at 31 December 2015). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 39 per cent of contributions receivable are denominated in CAD and 61 per cent in USD base currencies (45 per cent in CAD and 55 per cent in USD base currencies at 31 December 2015).
79. Starting in 2010, in order to minimize the exposure of the USD fluctuation, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD.

80. Purchase Orders pertaining to Technical Co-operation projects are sometimes denominated in currencies other than the CAD or USD. In order to limit exposure to currency fluctuations, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued, in cases where currency fluctuation could have a material impact on the financial position of the project. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.

2.7.5 Liquidity Risk

81. The Working Capital Fund has been increased from USD 6.0 million to USD 8.0 million at the 38th Session of the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and other Funds in specific cases. Also, funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

Note 2.8: Advance Receipts

82. Advance receipts comprise:

	2016	2015
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	291 003	304 546
Assessed contributions received in advance	7 118	6 807
Other advances	14 473	8 971
Total	312 594	320 324

83. Other advances include advance payments of CAD 10 257 thousand from Member States and private companies, CAD 1 373 thousand from publication sales, CAD 1 820 thousand from Member States for PKD activities, deferred revenue and other advances.

Note 2.9: Accounts Payables and Accrued Liabilities

84. Accounts payable and accrued liabilities are composed of the following:

	2016	2015
	<i>In thousands of CAD</i>	
Accrued Liabilities	7 345	6 247
Employee Payable	2 083	1 904
Trade Payable	12 992	12 817
ECAC	6 880	4 523
Others	346	2 380
Grand Total	29 646	27 871

85. Accounts payable to suppliers relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced.

86. Under certain conditions, the Organization reimburses a portion of education costs paid by internationally recruited professional employees. Accruals and Other Payables include an amount of CAD 435 thousand representing the estimated education costs payable to employees but not yet claimed at year end.

Note 2.10: Employee Benefits

87. Employee benefits liabilities comprise ASHI benefits, end of service benefits for annual leave, repatriation benefits payable and other short term amounts.

	2016	2015
	<i>In thousands of CAD</i>	
Composition:		
Current	8 301	7 227
Non-current	142 395	149 102
Total	150 696	156 329

2.10.1 Valuation of Employee Benefit Liabilities

88. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent consulting actuaries. These employee benefits are established for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules.
89. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits comprise estimated repatriations benefits and annual leave due to Technical Co-operation project staff on separation. Such project staff benefits are not covered by the UN Staff Regulations and Rules, but by specific conditions under technical co-operation projects.
90. The movement of employee benefits liabilities during 2016 is as follows:

	Opening Balance 1 January 2016	Utilization	Increase/ (Decrease)	Actuarial Loss/(Gain)	Ending Balance 31 December 2016
	<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	129 843	(1 905)	8 509	(12 198)	124 249
End of service - annual leave	8 839	(769)	807	(51)	8 826
End of service - repatriation benefits	15 167	(944)	1 186	(504)	14 905
Other employee benefits for international experts	2 480	(176)	412	-	2 716
Total Employee Benefits Liabilities	156 329	(3 794)	10 914	(12 753)	150 696

91. The utilization column represents payments made during the year. The increase (decrease) for ASHI, annual leave, and repatriation benefits and other employee benefits for international experts are comprised as follows:

	Current Service Costs	Interest Cost	Total 2016	Total 2015
	<i>In thousands of CAD</i>			
Post-retirement plan (ASHI)	5 552	2 957	8 509	9 189
End of service - annual leave	610	197	807	804
End of service - repatriation benefits	854	332	1 186	1 014

Other employee benefits				
Liabilities	412	-	412	903
Total Employee				
Benefits Liabilities:	7 428	3 486	10 914	11 910

For comparison purposes, actuarial losses (and gains) were as follows:

	2016	2015
	<i>In thousands of CAD</i>	
Post-retirement plan (ASHI)	(12 198)	(7 366)
End of service - annual leave	(51)	231
End of service - repatriation benefits	(504)	2 366
Total Employee Benefits Liabilities	(12 753)	(4 769)

92. Actuarial gains for Annual Leave and Repatriation Benefits plus Current Service Costs and Interest cost including those for ASHI total CAD 9 947 in 2016 (CAD 13 604 in 2015) and are included in the expense of the Revolving Fund.

2.10.2 Effect of Increase (Decrease) of One Point in Trend Assumption

93. IPSAS require that the impact of one point in trend assumption be disclosed in the financial statements for post-retirement benefits:

Current Service Cost	Minus one percentage point: decrease of CAD 1 835 thousand Plus one percentage point: increase of CAD 2 472 thousand
Accrued Benefit Obligation	Minus one percentage point: decrease of CAD 20 841 thousand Plus one percentage point: increase of CAD 26 722 thousand

2.10.3 Actuarial Assumptions and Methods

94. Each year, ICAO reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for ICAO's after-service benefit plans (post-employment benefits and other separation-related benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 25. In addition, each actuarial assumption is required to be disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for ICAO as at 31 December 2016.
95. ICAO is using the Canadian government bonds rate to discount the liability related to staff benefits. In some jurisdictions, there is no deep market for government bonds or government bonds are more risky than high quality corporate bonds. In such cases the use of the corporate bond rate would be more appropriate, being closer to a risk free rate. This matter was considered by ICAO's actuaries and it was determined that in the case of ICAO, the use of the Canadian bond rate is more appropriate than the corporate bond rate for the reasons provided under paragraph 94 of IPSAS 25 and because of the existence of a deep market for government bonds in Canada. Therefore, ICAO has continued to use the government bond rate to discount the liability.

Assumptions Used for ASHI Plan:

Actuarial Method	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
Discount Rate	2.40 per cent for accounting and funding (2.20 per cent in 31 December 2015 valuation).
Medical and Dental Trend Rates	Drugs and other health care from 10 per cent to 4 per cent over a period of 20 years, dental 4 per cent for 20 years.
Expected Return on Assets	Not applicable as plans are treated as unfunded.
Exchange Rate Used	USD 1.00 for CAD 1.354 (CAD 1.385 in prior valuation).
Medical and Dental Claims Cost	Average annual costs per person at age 60 are CAD 2.3 thousand for drug costs, from CAD 0.4 thousand to CAD 1.3 thousand for dental costs and from CAD 0.5 thousand to 6.0 thousand for other health care costs.
Age Variation of Medical and Dental Costs1?	For drugs in Canada from 5.8 per cent at age 40 to 0 per cent at age 85 and up. For health care in Canada, from 2.0 per cent up to age 59 to 0.75 per cent at age 85 and up. Health care outside Canada from 2.7 per cent at age 40 to 0 per cent at age 90 and up. Dental care minus 0.5 per cent per year. Reduction of drug cost at age 65 for those covered by a public drug plan in Canada, 65 per cent (65 per cent in 2015).
Annual Administrative Costs	Included in annual costs per person. Inflation at 3.25 per cent per year, starting in 2017.
Mortality Table	CPM 2014 with Projection Scale CPM-B, base year 2016, same in 2015.
Withdrawal Rates	From age 20 to 55 and up: 15 per cent to 0 per cent.
Retirement Age	Employee hired prior to 1 January 1990: age 60; employee hired on or after 1 January 1990 to 31 December 2013: age 62; employee hired on or after 1 January 2014: age 65.
Coverage of Dependents at Retirement	60 per cent (60 per cent in 2015). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

Assumptions Used for Annual Leave and Repatriation Benefits:

Actuarial Method	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
Discount Rate	2.40 per cent per year (2.20 per cent in prior valuation).
Salary Increase	2.50 per cent per year.
Net Accrual in Annual Leave Balance	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 60 days.
Withdrawals Due to Voluntary Leave	10 per cent (10 per cent in 2015).
Removal of Effects on Repatriation	CAD 18.2 thousand per employee with annual increase of 3.25 per cent per year.
Travel Costs	CAD 8.0 thousand per employee with annual increase at 3.25 per cent per year.

2.10.4 United Nations Joint Staff Pension Fund

96. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.
97. ICAO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
98. The actuarial valuation performed as of 31 December 2015 revealed an actuarial surplus of 0.16 per cent (a deficit of 0.72 per cent in the 2013 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 23.54 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as of 31 December 2017.
99. At 31 December 2015, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 141.1 per cent (127.5 per cent in the 2013 valuation). The funded ratio was 100.9 per cent (91.2 per cent in the 2013 valuation) when the current system of pension adjustments was taken into account.
100. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2015, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
101. During 2016, ICAO's contributions paid to UNJSPF amounted to USD 18.0 million equivalent to CAD 23.9 million (USD 17.9 million equivalent to CAD 23.0 million in 2015). Contributions due in 2017 are expected to be at the same level.
102. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

2.10.5 Social Security Arrangements for Employees Under Service Contracts

103. ICAO employees under service contracts are usually entitled to social security based on local conditions and norms. ICAO however, has not undertaken any global arrangement for social security under service contracts. Social security arrangements can either be obtained from national social security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the service contract. Service contract holders are not ICAO staff members and are not entitled to the normal staff member benefits.

Note 2.11: Credits to Contracting/Service Governments

104. The credits comprise amounts assessed from contracting governments and collected by ICAO on behalf of servicing governments under the Danish and Icelandic Joint Financing Agreements, which are to be remitted to contracting/servicing governments. Also included in the liability, are user charges collected by ICAO on behalf of service governments under the Joint Financing of a North Atlantic Height Monitoring System.

Note 2.12: Net Assets (Net Accumulated Deficit)

105. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. Closing balances are ICAO's residual interest in the assets after deducting all its liabilities. Since liabilities exceed assets, it is anticipated that future funding will cover the accumulated deficit. Variations to the accumulated deficit and reserves are presented in Statement III.

106. Reserves are composed of:

	2016	2015
	<i>In thousands of CAD</i>	
Regular activities		
Carry Forward of Appropriations (Statement V)	21 335	18 838
Reserved Deficit	(1 807)	(3 009)
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2)	(34 484)	(46 682)
Amounts set aside in the Incentive Fund	237	237
	(14 719)	(30 616)
Technical Co-operation Project Activities		(171)
Total	(14 719)	(30 787)

107. No amount was set aside in the Incentive Fund for 2016 as additional funding because of the ICAO cash deficit position (Assembly Resolution A38-25).
108. Included in the Technical Co-operation Project Activities Reserves is the translation adjustment from USD to CAD to reflect the Technical Co-operation Project Activities in the reporting currency (CAD).

NOTE 3: REVENUES AND EXPENSES

Note 3.1: Contributions – Services in Kind

109. Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand and Mexico and the Organization, these Governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. The Government of Canada bears the major part of the operational and maintenance costs of the Headquarters premises. Contributions in kind are not recorded in the accounts, but presented for information purposes in notes below.

110. The estimated fair value of the contributions in kind provided to regular activities based on the lease contracts or on the estimated market value when there is no lease is as follows:

	2016	2015
	<i>In thousands of CAD</i>	
Canada	21 338	21 269
Egypt	165	183
France	551	531
Peru	833	800
Senegal	185	158
Thailand	1 050	1 036
Total	24 122	23 977

111. Included in the above contribution in kind from Canada, is an amount equivalent to CAD 1 887 thousand (CAD 1 816 thousand in 2015) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montréal provided for the Technical Co-operation Bureau.
112. Staff services and travel are also provided free of charge by States for regular activities. These contributions are valued based on the cost to the donating State for each of the following activities:

	2016	2015
	<i>In thousands of CAD</i>	
Aviation Security	1 964	1 913
Aviation Safety	4 501	4 446

113. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2016 amounted to CAD 217 thousand (CAD 163 thousand in 2015) and is included in revenue.

Note 3.2: Revenue

114. The main source of revenue recognized during the year comprises contributions for technical co-operation projects that were implemented during the year and assessed contributions. Assessed contributions are levied partially in Canadian dollars and in United States dollars to finance a major part of appropriations. Revenue recognized during the year is comprised as follows:

	2016	2015
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	92 355	88 075
Exchange Differences	13 200	5 615
Decrease (increase) on cumulative discount on long-term receivables	1 360	(1 297)
Total	106 915	92 393

115. The following are the details for Other Revenue Producing Activities:

	2016	2015
	<i>In thousands of CAD</i>	
Publication sales and printing services	5 336	5 592
Training/assessments, courses & membership fees	4 508	3 349
Delegation services	2 382	2 254
Events and symposia	1 888	1 529
Dangerous goods licensing fee	1 423	1 194
Publication royalties	1 253	1 223
Periodicals	1 098	890
Usercharge/Subscription fee	868	783
Licensing agreements	614	604
Commissariat sales	511	519
Websites	448	517
Others	690	607
Total	21 019	19 061

116. Other Revenue comprises the following:

	2016	2015
	<i>In thousands of CAD</i>	
Service fee	314	592
Professional liability insurance fee	359	291
Travel agent fee	156	170
Interest income	460	321
Exchange gain		10 680
Others	1 271	1 226
Total	2 560	13 280

Note 3.3: Expenses

3.3.1 Staff Salaries and Employee Benefits

117. Salaries include remuneration earned by employees of the Organization during the year, international field experts and experts under Operational Assistance Agreement (OPAS) for TC projects as well as employee benefits such as health insurance, annual leave, repatriation, education, assignment and relocation grants, termination indemnities and ICAO's contribution to the UNJSPF.

3.3.2 Supplies, Consumables and Others

118. These expenses comprise the procurement of goods and services for Trust Funds, Management Service Agreements, Civil Aviation Purchasing Services and UNDP projects under the Technical Co-operation Project activities.

3.3.3 General Operating Expenses

119. **General Operating Expenses** mainly comprise rental, maintenance and operation of premises, information technology and printing expenses. Also included is depreciation on PP&E amounting to CAD 800 thousand, and to CAD 275 thousand for the amortization of intangible assets (CAD 1 186 thousand and CAD 247 thousand respectively in 2015).

3.3.4 Travel

120. Travel expense is composed of mission travel, which includes airfares, daily subsistence allowances and terminal allowances.

3.3.5 Other Expenses

121. Other expenses mainly comprise the exchange loss of CAD 2 854 thousand to Regular Budget fund in which CAD 2 743 thousand is recognized as realized exchange loss. In 2015, exchange gain of CAD 7 722 thousand was presented to other revenue category within the Statement of Financial Performance.
122. Other expenses also includes CAD 1 096 thousand exchange loss attributable to funds other than the Regular Budget, CAD 2 958 thousand exchange gain was recorded in other revenue in 2015.

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

123. ICAO's financial statements and the approved Regular Programme budget are not presented on the same basis. In the Statement of Financial Performance, expenses cover all Funds of the Organization and are classified based on their nature. Expenses in the Statement of Comparison of Budget and Actual Amounts are classified by Strategic Objective and Supporting Implementation Strategy for the Regular Programme General Fund Budget. The other approved publicly available budget relates to the AOSC Fund of the Technical Cooperation Programme.
124. The Assembly authorizes, separately for each year of a triennium, the expenditure in Canadian dollars for the Regular Programme and approves the total indicative budget estimates of the AOSC fund. Budgets may be subsequently amended by the Council or through the exercise of delegated authority.
125. As required by IPSAS, a reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V) and the actual amounts in the Statement of Cash Flow (Statement IV) for the period year ended 31 December 2016 is presented below.

	Operating	Investing	Financing	Total
	<i>In thousands of CAD</i>			
Actual Amount on Comparable Basis (Statement V)	(96 433)	-	-	(96 433)
Basis differences - exchange rate	(13 201)	-	-	(13 201)
Presentation differences	119 445	240	-	119 685
Entity differences	3 181	(477)	(19)	2 685
Actual Amounts in the Statement of Cash Flow (Statement IV)	12 992	(237)	(19)	12 736

126. Basis differences occur when an approved budget is prepared on a basis other than the accounting basis used to prepare the financial statements. For ICAO, a notable difference occurs when the rate of exchange used to prepare the Canadian dollar budget differs from the monthly UN rates of exchange. The Status of Appropriation, as presented in the Statement of Comparison of Budget and Actual Amounts (Statement V) provides reconciliation between approved appropriations of the Regular Programme Budget and the corresponding expenses incurred by the General Fund of the Regular Programme at the UNORE and at the budget rate of exchange.
127. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for ICAO.
128. Presentation differences are due to differences in the format and classification schemes adopted for presentation of Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts. The Statement of Cash Flows reflects the net impact of receipts and disbursements and the Statement of Comparison of Budget and Actual Amounts present actual expenditures authorized through appropriations.
129. Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. Entity differences represent cash flows of those Funds that are reported in the financial statements, form part of ICAO activities, are funded by extra-budgetary resources, but are excluded from the Regular Programme budgetary process. These relate to other regular activities and technical co-operation project activities.
130. With regard to the AOSC Fund, budgeted figures represent indicative budget estimates only. Total revised budget estimates for the AOSC Fund is compared to actual amount in the Presentation of the Secretary General on the financial statements. Also, included in the Presentation are explanations of material differences between the original and final budgets, and the actual amounts.

NOTE 5: SEGMENT REPORTING

Note 5.1: Statement of Financial Position and Financial Performance by Segment

131. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these accounting transactions and then eliminated to reconcile with Statements I and II.
132. The Regular Activities segment includes administrative fee revenue of CAD 8.7 million (CAD 8.8 million in 2015) charged by the AOSC Fund to Technical Co-operation Projects. An equivalent amount is included as administrative overhead charges in the Technical Co-operation Projects segment and other expenses. The amount due to Technical Co-operation Projects by the Regular Activities segment at 31 December 2016 amounted to CAD 1 195 thousand (CAD 1 906 thousand at 31 December 2015). These amounts are eliminated for presentation purposes.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL POSITION BY SEGMENT

AT 31 DECEMBER 2016

(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	100 098	73 796	292 074	305 640			392 172	379 436
Assessed contributions receivable from Member States	2.2	3 992	6 822					3 992	6 822
Inter-segment balances		1 195			1 906	(1 195)	(1 906)		
Receivables and advances	2.3	5 200	6 471	14 658	14 594			19 858	21 065
Inventories	2.4	513	753					513	753
Others	2.3	1 744	2 065	3	46			1 747	2 111
		112 742	89 907	306 735	322 186	(1 195)	(1 906)	418 282	410 187
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	2.2	4 551	5 022					4 551	5 022
Receivables and advances	2.3	280	354					280	354
Property, plant and equipment	2.5	3 017	2 438					3 017	2 438
Intangible assets	2.6	793	866					793	866
		8 641	8 680					8 641	8 680
TOTAL ASSETS		121 383	98 587	306 735	322 186	(1 195)	(1 906)	426 923	418 867
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	2.8	21 591	15 778	291 003	304 546			312 594	320 324
Accounts payable and accrued liabilities	2.9	17 416	12 528	12 230	15 343			29 646	27 872
Employee benefits	2.10	5 597	4 759	2 704	2 468			8 301	7 227
Inter-segment balances		397	1 906	798		(1 195)	(1 906)		
Credits to contracting/servicing governments	2.11	1 465	1 674					1 465	1 674
		46 466	36 645	306 735	322 357	(1 195)	(1 906)	352 006	357 096
NON-CURRENT LIABILITIES									
Employee benefits	2.10	142 395	149 102					142 395	149 102
		142 395	149 102					142 395	149 102
TOTAL LIABILITIES		188 861	185 747	306 735	322 357	(1 195)	(1 906)	494 401	506 198
NET ASSETS									
Accumulated deficit	2.12	(52 759)	(56 544)					(52 759)	(56 544)
Reserves	2.12	(14 719)	(30 616)		(171)			(14 719)	(30 787)
NET ASSETS (ACCUMULATED DEFICIT)		(67 478)	(87 160)		(171)			(67 478)	(87 331)
TOTAL LIABILITIES AND NET ASSETS		121 383	98 587	306 735	322 186	(1 195)	(1 906)	426 923	418 867

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.3

FINANCIAL PERFORMANCE BY SEGMENT
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
REVENUE									
Contributions for project agreements	3.2	104	92 393	121 894	137 389	(508)	(1 089)	121 490	136 300
Assessed contributions	3.2	106 915	19 061					106 915	92 393
Other revenue producing activities	3.2	21 019	10 912					21 019	19 061
Other voluntary contributions		14 996	9 062					14 996	10 912
Administrative fee revenue		9 673	13 022	226	258	(8 714)	(8 755)	959	307
Other revenue	3.2	2 510				(176)		2 500	13 280
		155 217	144 450	122 120	137 647	(9 398)	(9 844)	267 939	272 253
EXPENSES									
Staff salaries and employee benefits	3.3	113 594	113 672	43 662	45 832			157 256	159 504
Supplies, consumables and others	3.3	514	276	59 395	66 656			59 909	66 932
General operating expenses	3.3	18 075	17 219	3 048	2 838			21 123	20 057
Travel	3.3	8 003	7 184	4 101	4 810			12 104	11 994
Meetings		2 339	1 774					2 339	1 774
Training				2 857	3 294			2 857	3 294
Administrative overhead charges				8 819	8 337	(8 819)	(8 337)		
Other expenses		5 191	1 875	238	5 880	(579)	(1 507)	4 850	6 248
		147 716	142 000	122 120	137 647	(9 398)	(9 844)	260 438	269 803
SURPLUS FOR THE YEAR		7 501	2 450					7 501	2 450

Details may not add to the totals due to rounding

NOTE 6: COMMITMENTS AND CONTINGENCIES**Note 6.1: Commitments**

133. Lease commitments mainly pertain to ICAO premises.

	2016	2015
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	688	3 295
Beyond 5 years	-	-
Total Property Leases Obligations	688	3 295

134. The lease at HQ expired on 30 November 2016 and the government of Canada as a sole owner put the building at the disposal of ICAO rent-free for an additional period of 20 years commencing on December 2016 until 30 November 2036. Therefore, as at 31 December 2016, there are no lease commitments payable by ICAO to the host government for the HQ premises. The lease commitments include only the 50 per cent portion of the lease payable by ICAO for Mexico Office. Building lease costs are reimbursed by the host governments at the rate of 75 per cent and starting from 1 December 2016 at 80 per cent for the HQ building and 100 per cent for the Bell Tower which is also part of HQ. There is no financial commitment included in the table above for the Paris Office since as noted in Note 2.5, a portion of the Paris Office is owned by ICAO and the remaining portion is owned by France and leased to ICAO at nominal value.

135. The future minimum lease revenues under non-cancellable operating leases total CAD 2.0 million for 2017 (CAD 1.9 million in 2016). These lease revenues comprise rental of premises to Delegations.

Note 6.2: Legal or Contingent Liabilities and Contingent Assets

136. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to ICAO.

137. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation Projects in South America. These are mainly claims by individuals demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 4.3 million (USD 3.9 million at 31 December 2015). It has been assessed as unlikely that ICAO would incur financial liabilities given that the Governments concerned have committed in the underlying project agreements to absorb any financial liabilities which may arise from such claims.

NOTE 7: RELATED PARTY AND SENIOR MANAGEMENT DISCLOSURE**Note 7.1: Key Management Personnel**

	Number of Individuals (Person/Year)	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Out- standing Loans
<i>(In thousands of CAD)</i>							
Key Management Personnel	13	2 563	142	756	3 461	80	-

138. Key management personnel includes members of the Senior Management Group (SMG) of the Secretariat, which comprises the Secretary General, Directors at HQ, Chief of Finance and Chief, Evaluation and External Audit. Senior managers have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Key management personnel also include the President of Council and other key officers who can influence decisions made by senior management. The Council consists of 36 Member States without personal appointment.
139. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation and education grants, rental subsidy, and also employer pension and current health insurance contributions. Entitlements and total remuneration include outstanding advances against entitlements, which are composed of education grant advances.
140. Key management personnel also qualify for post-employment benefits (Note 2.10) at the same level as other employees. These benefits cannot be quantified with precision on an individual basis, thus are not included in the above table.
141. Key management personnel are ordinary members of UNJSPF with the exception of most D-2 level personnel and above who do not participate in the UNJSPF. Amounts paid by ICAO in lieu of contributions to the plan, which represents 15.8 per cent of the pensionable remuneration, are included in total remuneration.
142. Total remuneration also includes an amount of CAD 181 thousand paid during the year to close family members of key management personnel. Close family members of key management personnel are working in other bureaus and not in direct hierarchical relationship to the key management personnel.

Note 7.2: Related Party Transactions

143. Except as otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with third parties, including United Nations organizations occur at fair value within a normal relationship of supplier or client and at arm's-length terms and conditions.

NOTE 8: EVENTS AFTER THE REPORTING DATE

144. ICAO's reporting date is 31 December 2016. On the date of signing of these financial statements by the Secretary General, no material events, favourable or unfavourable, occurred between the balance sheet date and the date when the financial statements have been authorized for issue that would have impacted these statements.

**PART IV: TABLES
(UNAUDITED)**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2016 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2016
(in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Fund	Administrative/ Operational Services Cost Fund	AVSEC Activities *	AFI Plan Fund	Environmental Funds	Joint Finance Funds
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	43 054		1 400	14 808	7 576	8 657	1 619	6 174	1 708
Assessed contributions receivable from Member States	3 992								
Inter-fund balances	1 194								
Receivables and advances	1 236			3 188	91	126			124
Inventories				513					
Others	1 704			39					
	<u>51 181</u>		<u>1 400</u>	<u>18 548</u>	<u>7 666</u>	<u>8 783</u>	<u>1 619</u>	<u>6 174</u>	<u>1 832</u>
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	4 551								
Receivables and advances	280								
Property, plant and equipment		3 017							
Intangible assets		793							
	<u>4 830</u>	<u>3 810</u>							
TOTAL ASSETS	<u>56 011</u>	<u>3 810</u>	<u>1 400</u>	<u>18 548</u>	<u>7 666</u>	<u>8 783</u>	<u>1 619</u>	<u>6 174</u>	<u>1 832</u>
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	7 138			2 182	450				24
Accounts payable and accrued liabilities	14 660			999	526	21	4	56	342
Employee benefits			5 585		11				
Inter-fund balances				210	187				
Credits to contracting/service governments									1 465
	<u>21 798</u>		<u>5 585</u>	<u>3 391</u>	<u>1 175</u>	<u>21</u>	<u>4</u>	<u>56</u>	<u>1 832</u>
NON-CURRENT LIABILITIES									
Employee benefits			142 395						
			142 395						
TOTAL LIABILITIES	<u>21 798</u>		<u>147 980</u>	<u>3 391</u>	<u>1 175</u>	<u>21</u>	<u>4</u>	<u>56</u>	<u>1 832</u>
NET ASSETS									
Accumulated surplus/(deficit)	14 686	3 810	(112 096)	15 157	6 491	8 762	1 615	6 118	
Reserves	19 527		(34 484)						
NET ASSETS (ACCUMULATED DEFICIT)	<u>34 213</u>	<u>3 810</u>	<u>(146 580)</u>	<u>15 157</u>	<u>6 491</u>	<u>8 762</u>	<u>1 615</u>	<u>6 118</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>56 011</u>	<u>3 810</u>	<u>1 400</u>	<u>18 548</u>	<u>7 666</u>	<u>8 783</u>	<u>1 619</u>	<u>6 174</u>	<u>1 832</u>
REVENUE									
Contributions for project agreements									
Assessed contributions	106 915								
Other revenue producing activities				22 524					104
Other voluntary contributions				52		3 882	465	6 404	
Administrative fee revenue					9 673				
Other revenue	6 847	1 592	3 618	87	1 461	49	8	91	6
TOTAL REVENUE	<u>113 762</u>	<u>1 592</u>	<u>3 618</u>	<u>22 662</u>	<u>11 134</u>	<u>3 931</u>	<u>473</u>	<u>6 495</u>	<u>110</u>
EXPENSES									
Staff salaries and employee benefits	85 041		9 947	6 960	8 752	1 466		750	3
Supplies, consumables and others	465			377					
General operating expenses	14 047	1 075		9 796	253	70			
Travel	4 919			571	129	751		53	
Meetings	2 132			76				236	
Administrative overhead charges				8		144	32	126	
Other expenses	3 142			647		528	6	265	99
TOTAL EXPENSES	<u>109 746</u>	<u>1 075</u>	<u>9 947</u>	<u>18 434</u>	<u>9 134</u>	<u>2 959</u>	<u>38</u>	<u>1 430</u>	<u>102</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>4 016</u>	<u>516</u>	<u>(6 329)</u>	<u>4 228</u>	<u>2 000</u>	<u>972</u>	<u>435</u>	<u>5 064</u>	<u>8</u>

* Refer to Table B

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2016 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2016
 (in thousands of Canadian dollars)

Table A
 (continued)

	Incentive for Settlement of Arrears Account	Indirect Cost Recovery Fund	Public Key Directory	Regional Sub-Office	Safe	Other Funds	Total	Elimination/ Adjustment	2016	2015
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	1 240	1 648	1 760	1 610	3 098	5 748	100 098		100 098	73 796
Assessed contributions receivable from Member States							3 992		3 992	6 822
Inter-fund balances							1 195		1 195	
Receivables and advances		3	191		11	230	5 200		5 200	6 471
Inventories							513		513	753
Others							1 744		1 744	2 065
	<u>1 240</u>	<u>1 651</u>	<u>1 951</u>	<u>1 610</u>	<u>3 109</u>	<u>5 979</u>	<u>112 742</u>		<u>112 742</u>	<u>89 907</u>
NON-CURRENT ASSETS										
Assessed contributions receivable from Member States							4 551		4 551	5 022
Receivables and advances							280		280	354
Property, plant and equipment							3 017		3 017	2 438
Intangible assets							793		793	866
							<u>8 641</u>		<u>8 641</u>	<u>8 680</u>
TOTAL ASSETS	<u>1 240</u>	<u>1 651</u>	<u>1 951</u>	<u>1 610</u>	<u>3 109</u>	<u>5 979</u>	<u>121 383</u>		<u>121 383</u>	<u>98 587</u>
LIABILITIES										
CURRENT LIABILITIES										
Advanced receipts			1 820			643	12 257	9 334	21 591	15 778
Accounts payable and accrued liabilities			131	518	12	147	17 416		17 416	12 528
Employee benefits							5 597		5 597	4 759
Inter-fund balances							397		397	1 906
Credits to contracting/service governments							1 465		1 465	1 674
			<u>1 951</u>	<u>518</u>	<u>12</u>	<u>790</u>	<u>37 132</u>	<u>9 334</u>	<u>46 466</u>	<u>36 645</u>
NON-CURRENT LIABILITIES										
Employee benefits							142 395		142 395	149 102
							<u>142 395</u>		<u>142 395</u>	<u>149 102</u>
TOTAL LIABILITIES			<u>1 951</u>	<u>518</u>	<u>12</u>	<u>790</u>	<u>179 527</u>	<u>9 334</u>	<u>188 861</u>	<u>185 747</u>
NET ASSETS										
Accumulated surplus/(deficit)	1 003	1 651		1 092	3 097	5 189	(43 425)	(9 334)	(52 759)	(56 544)
Reserves	237						(14 719)		(14 719)	(30 616)
NET ASSETS (ACCUMULATED DEFICIT)	<u>1 240</u>	<u>1 651</u>		<u>1 092</u>	<u>3 097</u>	<u>5 189</u>	<u>(58 144)</u>	<u>(9 334)</u>	<u>(67 478)</u>	<u>(87 160)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 240</u>	<u>1 651</u>	<u>1 951</u>	<u>1 610</u>	<u>3 109</u>	<u>5 979</u>	<u>121 383</u>		<u>121 383</u>	<u>98 587</u>
REVENUE										
Contributions for project agreements					104		104		104	
Assessed contributions							106 915		106 915	92 393
Other revenue producing activities						6	22 634	(1 615)	21 019	19 061
Other voluntary contributions			2 447	1 407	1 483	4 874	21 013	(6 017)	14 996	10 912
Administrative fee revenue							9 673		9 673	9 062
Other revenue	7	449	12	1	263	474	14 963	(12 453)	2 510	13 022
TOTAL REVENUE	<u>7</u>	<u>449</u>	<u>2 459</u>	<u>1 408</u>	<u>1 849</u>	<u>5 353</u>	<u>175 302</u>	<u>(20 085)</u>	<u>155 217</u>	<u>144 450</u>
EXPENSES										
Staff salaries and employee benefits		5	2 217	229	407	2 780	118 558	(4 964)	113 594	113 672
Supplies, consumables and others				1			844	(330)	514	276
General operating expenses			43	386	2	299	26 024	(7 949)	18 075	17 219
Travel			46	63	631	656	8 003		8 003	7 184
Meetings				3		128	2 339		2 339	1 774
Administrative overhead charges			84	4	97	354	849	(849)		
Other expenses	23		69	81	494	54	5 405	(214)	5 191	1 875
TOTAL EXPENSES	<u>23</u>	<u>5</u>	<u>2 459</u>	<u>767</u>	<u>1 630</u>	<u>4 271</u>	<u>162 022</u>	<u>(14 306)</u>	<u>147 716</u>	<u>142 000</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>(16)</u>	<u>444</u>		<u>641</u>	<u>219</u>	<u>1 083</u>	<u>13 280</u>	<u>(5 779)</u>	<u>7 501</u>	<u>2 450</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table B

REGULAR ACTIVITIES
 AVIATION SECURITY TRUST FUNDS
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2016 AND
 REVENUE, EXPENSES AND SURPLUS FOR 2016
 (in thousands of Canadian dollars)

	<u>Enhanced Mechanism</u>	<u>United States</u>	<u>Awareness Training Programme</u>	<u>2016</u>	<u>2015</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6 323	97	2 237	8 657	7 608
Receivables and advances	12	114		126	219
Others					
	<u>6 335</u>	<u>211</u>	<u>2 237</u>	<u>8 783</u>	<u>7 827</u>
TOTAL ASSETS	<u>6 335</u>	<u>211</u>	<u>2 237</u>	<u>8 783</u>	<u>7 827</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	12		9	21	37
	<u>12</u>		<u>9</u>	<u>21</u>	<u>37</u>
TOTAL LIABILITIES	<u>12</u>		<u>9</u>	<u>21</u>	<u>37</u>
NET ASSETS					
Accumulated surplus/(deficit)	6 323	211	2 228	8 762	7 790
NET ASSETS	<u>6 323</u>	<u>211</u>	<u>2 228</u>	<u>8 762</u>	<u>7 790</u>
TOTAL LIABILITIES AND NET ASSETS	<u>6 335</u>	<u>211</u>	<u>2 237</u>	<u>8 783</u>	<u>7 827</u>
REVENUE					
Other voluntary contributions	1 585	542	1 755	3 882	3 393
Other revenue	31	4	14	49	971
TOTAL REVENUE	<u>1 617</u>	<u>546</u>	<u>1 768</u>	<u>3 931</u>	<u>4 364</u>
EXPENSES					
Staff salaries and employee benefits	817	542	107	1 466	1 527
Supplies, consumables and others					10
General operating expenses	10		60	70	36
Travel	108		643	751	830
Meetings					47
Administrative overhead charges	86		58	144	197
Other expenses	266		262	528	389
TOTAL EXPENSES	<u>1 287</u>	<u>542</u>	<u>1 130</u>	<u>2 959</u>	<u>3 035</u>
NET SURPLUS FOR THE YEAR	<u>330</u>	<u>4</u>	<u>638</u>	<u>972</u>	<u>1 329</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2016

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 addendum and A39-33	General Fund						Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2016	Assessments 2016	Assessments Received for 2016	Balance of Assessments Receivable for 2016	Balance of Prior Years' Assessments Receivable					
Afghanistan	0.06	63			63	66	130	3	133	
Albania	0.06	63	63							
Algeria	0.11	116	116							
Andorra	0.06	63	63							
Angola	0.06	63			63	22	85	(1)	84	
Antigua and Barbuda (**)	0.06	63			63	933	996	234	1 230	
Argentina	0.37	391	391							
Armenia	0.06	63	63							60
Australia	1.83	1 932	1 932							2 093
Austria	0.65	686	686							
Azerbaijan	0.06	63	63							
Bahamas	0.06	63	63							
Bahrain	0.12	127	65		62		62	(1)	61	
Bangladesh	0.06	63	63							
Barbados	0.06	63	6		57		57		57	
Belarus	0.06	63	63							
Belgium	0.76	802	802							
Belize	0.06	63	63							
Benin	0.06	63	63							
Bhutan	0.06	63	63							
Bolivia (Plurinational State of)	0.06	63	63							
Bosnia and Herzegovina	0.06	63	63							
Botswana	0.06	63	63							
Brazil	2.31	2 438	2 438							
Brunei Darussalam	0.06	63	63							
Bulgaria	0.06	63	63							60
Burkina Faso	0.06	63	63							
Burundi	0.06	63			63	105	168	8	176	
Cabo Verde	0.06	63	63							
Cambodia	0.06	63	63			67	67	25	92	
Cameroon	0.06	63	63							
Canada	2.58	2 723	2 723							2 624
Central African Republic	0.06	63	63							
Chad	0.06	63	63							
Chile	0.37	391	391							
China	5.83	6 154	5 978		176		176	(4)	172	
Colombia	0.30	317	317							
Comoros	0.06	63	63							
Congo	0.06	63	63							
Cook Islands	0.06	63	63			21	21	8	29	
Costa Rica	0.06	63	63							
Côte d'Ivoire	0.06	63	63							
Croatia	0.09	95	95							
Cuba	0.06	63	63							
Cyprus	0.06	63	63							
Czech Republic	0.29	306	306							
Democratic People's Republic of Korea	0.06	63	63							
Democratic Republic of the Congo	0.06	63	63							
Denmark	0.52	549	549							
Djibouti	0.06	63	63			900	900	228	1 128	
Dominican Republic	0.06	63	63							
Ecuador	0.06	63	63							
Egypt	0.20	211	211							
El Salvador	0.06	63	63							1
Equatorial Guinea	0.06	63	63							
Eritrea	0.06	63			63	142	205	8	214	
Estonia	0.06	63	63							
Ethiopia	0.14	148	146		2		2		2	
Fiji	0.06	63	63							
Finland	0.48	507	507							426
France	4.59	4 845	4 845							
Gabon	0.06	63	63							
Gambia (*) & (**)	0.06	63			63	256	319	51	370	
Georgia	0.06	63	63			130	130	49	179	
Germany	6.06	6 397	6 397							

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2016

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 addendum and A39-33	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2016	Assessments 2016	Assessments Received for 2016	Balance of Assessments Receivable for 2016	Balance of Prior Years' Assessments Receivable				
Ghana	0.06	63	63						
Greece	0.47	496	496						
Grenada	0.06	63			63	478	542	61	603
Guatemala	0.06	63			63	39	103		103
Guinea (*)	0.06	63			63	100	164	38	201
Guinea-Bissau	0.06	63	63						
Guyana	0.06	63	63						
Haiti (**)	0.06	63			63	111	174	9	183
Honduras	0.06	63	63						
Hungary	0.26	274	274						1
Iceland	0.06	63	63						
India	0.85	897	897						
Indonesia	0.44	464	464						
Iran (Islamic Republic of)	0.30	317			317	713	1 030	61	1 091
Iraq (*)	0.06	63	62		1	365	366	125	491
Ireland	0.67	707	707						
Israel	0.40	422	422						7
Italy	3.22	3 399	3 399						
Jamaica	0.06	63	63						
Japan	8.07	8 518	8 518						
Jordan	0.07	74			74	7	81		81
Kazakhstan	0.11	116	116						
Kenya	0.06	63	63						71
Kiribati	0.06	63	63			261	261	25	287
Kuwait	0.24	253	30		224		224	(2)	221
Kyrgyzstan	0.06	63	63						
Lao People's Democratic Republic	0.06	63	63						
Latvia	0.06	63	63						
Lebanon	0.06	63	63						
Lesotho	0.06	63	63						
Liberia (*)	0.06	63			63	138	201	52	253
Libya	0.12	127			127	127	254	6	260
Lithuania	0.06	63	63						
Luxembourg	0.27	285	285						
Madagascar	0.06	63	63						
Malawi (**)	0.06	63			63	633	696	120	816
Malaysia	0.51	538	538						
Maldives	0.06	63	63						
Mali	0.06	63	63						
Malta	0.06	63	63						
Marshall Islands (*)	0.06	63			63	246	309	21	330
Mauritania	0.06	63	63						
Mauritius	0.06	63	63						34
Mexico	1.36	1 436	1 436						
Micronesia (Federated States of)	0.06	63			63	195	258	15	273
Monaco	0.06	63	63						
Mongolia	0.06	63	63						
Montenegro	0.06	63	63						
Morocco	0.12	127	127						1
Mozambique	0.06	63	63						
Myanmar	0.06	63	63						
Namibia	0.06	63			63	8	72	(1)	71
Nauru (**)	0.06	63			63	792	855	180	1 035
Nepal	0.06	63	63						
Netherlands	1.60	1 689	1 689						
New Zealand	0.30	317	317						312
Nicaragua	0.06	63	63						
Niger	0.06	63	63						
Nigeria	0.07	74	74						
Norway	0.68	718	718						
Oman	0.11	116			116		116	(1)	115
Pakistan	0.15	158	37		121		121	(1)	121
Palau	0.06	63			63	373	436	30	466
Panama	0.07	74	74						14
Papua New Guinea (**)	0.06	63			63	111	174	9	183

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2016

(in thousands of Canadian dollars)

Member States Assembly Resolutions A38-22, A38-26 addendum and A39-33	General Fund					Total Balances Receivable	Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2016	Assessments 2016	Assessments Received for 2016	Balance of Assessments Receivable for 2016	Balance of Prior Years' Assessments Receivable				
Paraguay	0.06	63	63						
Peru	0.13	137	137						
Philippines	0.24	253	253						220
Poland	0.66	697	697						
Portugal	0.46	486	212	274		274		274	
Qatar	0.64	676	676						
Republic of Korea	2.18	2 301	2 301						
Republic of Moldova	0.06	63	63						34
Romania	0.18	190	190						
Russian Federation	2.21	2 333	1 477	856		856	(19)	837	
Rwanda	0.06	63	63						
Saint Kitts and Nevis	0.06	63	63						
Saint Lucia	0.06	63	63						
Saint Vincent and the Grenadines	0.06	63		63	162	225	15	240	
Samoa	0.06	63	63						
San Marino	0.06	63	63						
Sao Tome and Principe (*)	0.06	63		63	760	824	169	992	
Saudi Arabia	0.85	897	897						
Senegal	0.06	63	63						
Serbia	0.06	63	63						
Seychelles	0.06	63	63						
Sierra Leone (*)	0.06	63		63	150	214	57	270	
Singapore	1.03	1 087	1 087						1 012
Slovakia	0.12	127	127						
Slovenia	0.07	74	74						
Solomon Islands	0.06	63	63						
Somalia	0.06	63	63						
South Africa	0.41	433	433						
South Sudan (**)	0.06	63		63	151	214	11	225	
Spain	2.47	2 607	2 607						
Sri Lanka	0.08	84	84						
Sudan	0.06	63	63						
Suriname (**)	0.06	63		63	308	372	30	402	
Swaziland	0.06	63	63						
Sweden	0.69	728	728						
Switzerland	0.95	1 003	1 003						
Syrian Arab Republic (**)	0.06	63		63	357	420	30	451	
Tajikistan	0.06	63	63						1
Thailand	0.55	581	581						
The former Yugoslav Republic of Macedonia	0.06	63	63						
Timor-Leste	0.06	63	63						1
Togo	0.06	63	63						
Tonga	0.06	63	63						
Trinidad and Tobago	0.06	63	63						
Tunisia	0.06	63	63						
Turkey	1.31	1 383	1 383						
Turkmenistan (**)	0.06	63		63	274	337	30	368	
Uganda	0.06	63	63						
Ukraine	0.12	127	127						
United Arab Emirates	1.80	1 900	1 900						
United Kingdom	4.77	5 035	5 035						
United Republic of Tanzania	0.06	63	63						
United States	22.07	23 296	23 296						
Uruguay	0.06	63		63		63	(1)	63	
Uzbekistan	0.06	63	24	39		39		39	
Vanuatu	0.06	63	38	26		26		26	
Venezuela (Bolivarian Republic of)	0.44	464	464						104
Viet Nam	0.13	137	137						
Yemen	0.06	63		63	56	120	3	123	
Zambia	0.06	63	63						
Zimbabwe	0.06	63	63						34
The former Socialist Federal Republic of Yugoslavia (1)					501	501	191	692	
TOTAL (***)	100.00	105 555	101 374	4 182	10 059	14 240	1 872	16 111	7 118

Note 1: The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained

* States which had not met their obligations according to the terms of their agreements as at 31 December 2016

** Prior Years includes Working Capital Fund

*** Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2016 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2016
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	2016	2015
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1 027	279 123	11 923	292 074	305 640
Inter-fund balances					1 906
Receivables and advances	575	13 656	426	14 658	14 594
Others	3			3	46
TOTAL ASSETS	1 605	292 780	12 349	306 735	322 186
LIABILITIES					
CURRENT LIABILITIES					
Advanced receipts	77	279 022	11 904	291 003	304 546
Accounts payable and accrued liabilities	702	11 082	446	12 230	15 343
Employee benefits	29	2 675		2 704	
Inter-fund balances	798			798	2 468
TOTAL LIABILITIES	1 606	292 780	12 349	306 735	322 357
NET ASSETS					
Reserves					(171)
NET ASSETS (ACCUMULATED DEFICIT)					(171)
TOTAL LIABILITIES AND NET ASSETS	1 606	292 780	12 349	306 735	322 186
REVENUE					
Contributions for project agreements		118 886	3 008	121 894	137 389
Other revenue		226		226	258
TOTAL REVENUE		119 112	3 008	122 120	137 647
EXPENSES					
Staff salaries and employee benefits		43 592	70	43 662	45 832
Supplies, consumables and others		56 532	2 863	59 395	66 656
General operating expenses		3 036	12	3 048	2 838
Travel		4 101		4 101	4 810
Training		2 857		2 857	3 294
Administrative overhead charges		8 756	63	8 819	8 337
Other expenses		238		238	5 880
TOTAL EXPENDITURE		119 112	3 008	122 120	137 647
SURPLUS/(DEFICIT) FOR THE YEAR					

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
 TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
 FOR THE YEAR ENDED 31 DECEMBER 2016
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2016	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2016
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	MSA	1 071		1 925	3	81	92	(1 899)			928
Angola	MSA	61									62
Argentina	MSA	27 300		41 013	111	23 232	2 009	(200)		(567)	42 418
Bahamas	MSA	10									10
Barbados	TF	47									47
Belgium	MSA	986				270	27	(17)			673
Bolivia	MSA	647				47	5	(36)	(164)		396
Bolivia	TF	12									12
Botswana	TF	75									76
Brazil	MSA	1 665			92				(37)	309	2 029
Cabo Verde	MSA	574			1	226	23				327
Cambodia	MSA	1						(1)			
Cameroon	MSA	16				2					14
Chad	MSA	34							3	(36)	
China	TF	38							(38)		
Colombia	MSA	27									28
Comoros	MSA	515			1	235	16				265
Costa Rica	MSA	39 361			112	2 516	63		(215)		36 679
Czechia	MSA	35									35
Djibouti	MSA	242			1						243
Dominican Republic	MSA	3									3
Ecuador	MSA	1 328		98	4	351	51	(20)			1 008
Egypt	MSA	56									57
El Salvador	MSA	265					16		(249)		
Equatorial Guinea	MSA	525			1	132	13				381
Ethiopia	MSA	6						(5)			1
Fiji	MSA	13									13
Gabon	MSA	(17)							17		
Greece	MSA	29		292	2	176	19			1	129
Guatemala	MSA	299			1						300
Guyana	TF	7									7
Haiti	TF	56									56
Inter-Regional	TF	100		5	1	15	2				89
Iceland	MSA	2									2
India	MSA	1 159		1 200	4	113	11	(317)	(37)	1	1 885
Indonesia	MSA	1 536		1 211	4	925	94			2	1 735
Iraq	MSA	43						(43)			
Iraq	TF	39									39
Italy	MSA	17									17
Jamaica	MSA	342		236		234	23		(18)		302
Jamaica	TF	6									6
Jordan	MSA	22									22
Kazakhstan	MSA	306				194	20				92
Kuwait	MSA	714		1 294	(1)	824	82				1 101
Latvia	TF	8									8
Lebanon	MSA	369			1	293	29				48
Lesotho	TF	130									131
Liberia	MSA	16									16
Libyan Arab Jamahiriya	MSA	9									9
Macao Special Administrative Region of China	MSA	7							(7)		
Mali	MSA			134		78	8			1	49
Mauritius	MSA	6									6
Mexico	MSA	295		254	1	97	8	(15)			430
Mexico	TF	125		544		540	47				83
Morocco	TF	71						(71)			
Mozambique	MSA	236		35	1	157	16				99

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E
(Continued)

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2016		Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2016
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Namibia	MSA	6 143		2 470	4	2 765	298		(1 191)	2	4 364
Nepal	MSA	512		22		299	21	63		1	279
Nicaragua	MSA	20									20
Nigeria	MSA	242			1	9	1				233
Norway	MSA	1		52		49	5			5	4
Oman	MSA	210						181			391
Oman	TF	180			1			(181)			
Pakistan	MSA	32									32
Panama	MSA	211		1 591		719	71	(117)			897
Panama	TF	37 088			102	6 091	922	(9)		3	30 171
Papua New Guinea	MSA	8									8
Paraguay	MSA	377		618	1	553	58			1	386
Peru	MSA	6 677		8 614	69	5 516	290	(54)		144	9 644
Philippines	MSA	20		36				(16)			40
Philippines	TF	2									2
Qatar	MSA	35									36
Regional for Africa	MSA	33 972		502	104	15 631	56	33	(8)	(8)	18 908
Regional for Asia	MSA	657	(145)	150	1	145	18				500
Regional for Asia	TF	3 146		1 490	9	1 311	150	378		(1)	3 561
Regional for Europe	MSA	36									36
Regional for Europe	TF	94		100		86	9				99
Regional for Europe and Middle East	MSA	695		421	1	501	50				567
Regional for Europe and Middle East	TF	501		87	1	247	25				318
Regional for Latin America	MSA	328		415	1	434	24	4			291
Regional for Latin America	TF	4 171		1 982	13	1 940	154	273	(31)	(1)	4 314
Republic of Korea	MSA	33		41				(6)			67
Republic of the Congo	MSA	84									84
Romania	MSA	3									3
Rwanda	MSA	97		113		36	4		(1)		170
Saudi Arabia	MSA	6 367		8 000	182	3 887	291	(267)	(37)	1	10 068
Seychelles	MSA	56									57
Singapore	MSA	310		318	2	175	17	(27)	(31)	10	390
Singapore	TF	152		66		86	9				124
Somalia	MSA	4 546		37	(1)	7 734	1 134	20 119		2	15 836
Somalia	TF	16 267		15 055	43	2 222	157	(20 164)	(1 735)		7 087
South Africa	MSA	206			1						206
Spain	MSA	5		41		36				3	13
Sri Lanka	MSA	382			1				(204)		180
Sri Lanka	TF	7									6
Sudan	MSA	340		47	2	173	17				198
Swaziland	MSA	211				4			(207)		
Syrian Arab Republic	MSA	155									155
Thailand	MSA	55									56
Thailand	TF	71		21							92
Trinidad and Tobago	TF	8									8
Turkey	MSA			13							13
UN Department of Peacekeeping Operations	MSA	10									10
Uganda	MSA	74						(74)			
United Republic of Tanzania	MSA	(5)						5			
Uruguay	MSA	1 790		1 076		1 180	90	(76)	(2)	1	1 518
Venezuela (Bolivarian Republic of)	MSA	117			1						118
Viet Nam	TF	14						(14)			
Yemen	MSA	5									5
	LS	1 988		525	2	494	47	551		2	2 527
Total		209 549	(145)	92 144	889	83 055	6 590	(2 037)	(4 212)	(87)	206 456
Equivalent Canadian Dollars		281 494	(196)	124 763	1 197	110 361	8 756	(3 300)	(5 704)	(115)	279 022

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table F

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
 CIVIL AVIATION PURCHASING SERVICE FUNDS
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
 FOR THE YEAR ENDED 31 DECEMBER 2016
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2016	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2016
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	168			1	9	1	65			224
Angola	CAPS	(16)						16			
Bahamas	CAPS	66			2	4					65
Bolivia	CAPS	4			0						4
Cabo Verde	CAPS	31			0						31
Canada	CAPS	38			0						38
Costa Rica	CAPS	1 361			4	1 247	9				108
Cuba	CAPS	17									17
Ethiopia	CAPS	1 854		476	5	4		5			2 335
Fiji	CAPS	3									3
Guinea	CAPS	44									44
Lebanon	CAPS	2 616			8	11	14				2 599
Lesotho	CAPS	40									40
Libyan Arab Jamahiriya	CAPS	62									62
Macao Special Administrative Region of China	CAPS	1 728			5	18	7				1 707
Madagascar	CAPS	224				222	3				(1)
Mozambique	CAPS	4									4
Myanmar	CAPS	439			1			(50)			390
Nigeria	CAPS	59			1	25	2				33
Oman	CAPS	15									15
Pakistan	CAPS	(10)						10			
Russian Federation	CAPS	3									3
Seychelles	CAPS	(69)									(69)
Sudan	CAPS	99			1						100
Suriname	CAPS	6									6
Syrian Arab Republic	CAPS	728			2						730
Trinidad and Tobago	CAPS	160			1						161
Uganda	CAPS	685				676	10	74			73
United Republic of Tanzania	CAPS	11									11
Uruguay	CAPS	42									43
Yemen	CAPS	17									17
Total		10 428			476	32	2 216	48	120		8 791
Equivalent Canadian Dollars		14 062			644	44	2 946	63	162		11 904

(1): On a cash basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR



Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Audit of the financial statements for 2016

5 May 2017

TABLE OF CONTENTS

INTRODUCTION	5
AUDIT CERTIFICATE	7
STRUCTURE OF THE ACCOUNTING STATEMENTS	10
STATEMENT OF FINANCIAL POSITION 2016.....	10
ASSETS.....	10
Current Assets.....	11
Cash and cash equivalents	11
<i>Updating of lists of authorized signatures at banks</i>	<i>12</i>
<i>Cash-in-hand at Headquarters and the Regional offices.....</i>	<i>12</i>
Assessed contributions receivable from Member States	12
Receivables, advances and other current assets	14
Inventories	14
<i>Consumables' inventories at Regional office level</i>	<i>15</i>
Non-current assets	16
Property, plant and equipment.....	16
<i>Fixed assets management at Regional level</i>	<i>16</i>
<i>The Asset Register kept at NACC and the Threshold decided by HQ</i>	<i>17</i>
The accuracy of the Asset Register at HQ and RO level needs to be improved.....	18
<i>A "Fixed assets management" requires further implementation.....</i>	<i>19</i>
<i>Strengthening controls over IT Assets</i>	<i>20</i>
<i>A revision of the depreciation coefficients is needed.....</i>	<i>21</i>
<i>Write-off of assets</i>	<i>22</i>
Intangible Assets	23
LIABILITIES.....	23
Current Liabilities.....	24
Non-current Liabilities.....	24
Employee Benefits.....	24
Liabilities generated by benefits related to the ASHI, Leaves and Grants	25

<i>Negative value of the ICAO's Net-assets is influenced by actuarial liabilities. Based on the ICAO's assumptions, the value of liabilities is substantially correct.....</i>	27
NET ASSETS	28
STATEMENT OF FINANCIAL PERFORMANCE 2016.....	28
REVENUE	28
EXPENSES	29
Procurement.....	29
<i>The United Nations Global Marketplace</i>	<i>30</i>
<i>Sole source at ICAO.....</i>	<i>31</i>
<i>Monitoring Direct Purchase Orders at the ICAO.....</i>	<i>32</i>
<i>Monitoring the sole source at the ICAO.....</i>	<i>33</i>
<i>Possibilities to increase the level of transparency in procurement.....</i>	<i>34</i>
<i>Assessing the cost-benefit of having different technical consultants.....</i>	<i>35</i>
<i>Introducing a Declaration of Absence of Conflict of Interest in the procurement process at the ICAO.....</i>	<i>36</i>
Personnel	36
Segment reporting.....	37
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2016	37
STATEMENT OF CASH FLOW.....	38
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	38
Carry-over of Appropriations	39
The Ancillary Revenue Generating Funds (ARGF).....	41
THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)	43
FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS.....	46
ANNEX 1 – Follow-up to the recommendations issued in our previous reports	48
ANNEX 2 – Follow-up to the suggestions issued in our previous reports	61

**ANNEX 3 – Follow-up to the recommendations issued by the French Cour
des Comptes in their reports..... 64**

INTRODUCTION

The legal basis for the External Auditor's audit is set out in the ICAO Financial Regulations and Rules (Fifteenth edition), Article XIII and Additional terms of reference governing the External Audit (Annex B).

This report informs the Council of the results of our audits.

This audit looked at the ICAO Report for the Financial Year ended 31 December 2016 and its consistency.

The financial periods are governed by the ICAO Financial Regulations approved by the Assembly, the Financial Rules approved by the Secretary General and by the International Public Sector Accounting Standards (IPSAS).

We audited the accounts for the Financial Year 2016 on the basis of the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

We planned our activities according to our audit strategy, so as to obtain reasonable assurance that the Financial Statements were free from material misstatement.

We evaluated the accounting principles and the related Management estimates and assessed the adequacy of the presentation of information in the Financial Statements.

In this way, through our audit, we obtained a sufficient basis for the opinion given in the audit certificate.

We tested a number of transactions and the relevant documentation on a sample basis, and we obtained sufficient and reliable evidence in relation to the accounts and disclosures in the Financial Statements.

During the audit, all questions were clarified and discussed with the officials responsible.

The team had regular discussions with Mr. Rahul Bhalla, Chief, Finance Branch (FIN), and members of his staff or staff in other departments, depending on the subject matter under consideration.

The field audit ended on 29 March 2017. We received the final version of the financial statements, signed by the Secretary General on 30 March 2017, on 11 April 2017. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on 25 April 2017 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as at 31 December 2016, presented in compliance with the ICAO Financial Regulations and Rules (Fifteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2016, signed by the Secretary General and the Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received the Statement of Internal Control for 2016, signed by the Secretary General on 30 March 2017.

We have highlighted the results of our audit activity as “Recommendations” and “Suggestions”. Whereas “Recommendations” fall under the follow-up process carried out by the Finance Committee, “Suggestions” are only followed up by the External Auditor. However, in principle, the ICAO Council, possibly following advice from the Evaluation and Audit Advisory Committee (EAAC), may ask the Secretary General to implement a “Suggestion”, where deemed necessary. Where an issue is out of the Management’s remit, we have drawn the Council’s attention to it.

Finally, we wish to express our appreciation for the courtesy shown by all the ICAO officials to whom we had cause to request information and documents.



Corte dei conti

AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2016, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2016, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

We conducted our audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), and the ICAO Financial Regulations and Rules. In the field of financial statements audit, the ISSAIs are a direct transposition from the International Standards on Auditing (ISAs). The Corte dei conti applies the provisions of the ISAs in so far as they are consistent with the specific nature of its audits. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the ICAO in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Nations system, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The ICAO Secretary General is responsible for the other information. The other information comprises the "Part IV – Tables (unaudited)".

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other

information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the ICAO Secretary General and Those charged with governance for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary General is responsible for assessing the ICAO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary General either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ICAO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICAO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICAO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ICAO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the transactions of ICAO that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the ICAO Financial Regulations and Rules and its legislative authority.

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2016.

Emphasis of matter

We draw attention to the fact that the Statement of financial position shows a negative Net Asset (-67.5 MCAD), mainly due to the impact of 142.4 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Measures are being undertaken by Management, which has assured us that it will monitor the effectiveness of these measures. Our opinion is not modified in respect of this matter.

Rome, 5 May 2017

Arturo Martucci di Scarfizzi
President of the
Corte dei conti

STRUCTURE OF THE ACCOUNTING STATEMENTS

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:
 - Statement of financial position (Statement I) – Balance sheet at 31 December 2016 with comparative figures as at 31 December 2015 showing Assets (divided into Current and Non-current assets), Liabilities (split into Current and Non-current liabilities) and Net assets;
 - Statement of financial performance (Statement II) for the year ended 31 December 2016, with comparative figures as at 31 December 2015 showing the Surplus/Deficit for the financial year;
 - Statement of Changes in Net Assets for the year ended 31 December 2016 (Statement III); showing the value of the Net assets including the surplus or deficit for the Financial Year including losses directly recorded in Net assets without being recorded to the Statement of Financial Performance;
 - Cash Flow (Statement IV); table of cash flows for the period closed on 31 December 2016, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investment and financing transactions and the treasury totals at the end of the Financial Year;
 - Comparison of Budget and Actual Amounts (Statement V) for the 2016 financial period (limited to the Regular Programme General Fund).
 - Notes to the financial statements providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

STATEMENT OF FINANCIAL POSITION 2016

ASSETS

2. In 2016, the ICAO's Assets amounted to 426.9 million CAD (MCAD), an increase of 8 MCAD (+1.9%) as compared with the value recorded in 2015 (418.9 MCAD).
3. They consisted of Current assets, amounting to 418.3 MCAD, representing 98% of Total Assets (in 2015, the figure was 410.2 MCAD, representing 97.9% of Total Assets), and Non-Current Assets, amounting to 8.6 MCAD, or 2.0 % of Total Assets (in 2015, 8.7 MCAD, or 2.1% of Total Assets).

Current Assets

4. Total Current Assets in 2016 amounted to 418.3 MCAD, representing an increase of 8.1 MCAD (+2%) as compared with 2015. The increase was due to “Cash and cash equivalents” (+12.7 MCAD), meanwhile all other assets decreased (-4.6 MCAD). The basis for evaluating Current Assets is given in the Accounting Policies (Note 1).

Cash and cash equivalents

5. As stated in paragraph 4, the sub-heading “Cash and cash equivalents”, totalling 392.1 MCAD, increased by 12.7 MCAD (+3.4%) compared to 379.4 MCAD in 2015. It included cash-in-banks and short-term deposits as at 31 December 2016. A detailed breakdown of Cash and cash equivalents is shown in Note 2.1.
6. We asked all the banks with business relations with ICAO to confirm the current account balances as at 31 December 2016. We usually verify that the account balances have been properly recorded in the accounts, however, this year, Management transparently informed us that part of the reconciliation had not been performed, therefore limiting our work in this area. Nevertheless, Management provided us with figures that allowed us to consider the amount under reconciliation not to be material. All other variances detected were explained and justified.
7. It should be mentioned that, as in the past years, we did not receive direct confirmations from all the banks. This limited our work in this area, although Management made strenuous efforts in order to allow us to receive them. Management gave us a copy of the bank statements.

Recommendation n. 1

8. In consideration of the fact that the balance for “Total Assets” is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations, we strongly recommend that Management i) rationalise the current list of bank accounts, limiting considerably their number, and ii) find a process that will induce the banks to send confirmation letters to the Auditor when asked.

Proposal and comments by the Secretary General

We are working with TCB to limit the number of new imprest accounts to be opened. As projects close, existing imprest accounts will also be closed and we will try and use the services of the UNDP as much as practically possible taking location and costs into consideration. As agreed in our meeting, we will work closely with the External Auditors and coordinate on the signature lists that they receive directly from our banking partners. We will also contact our banks and remind them to be extra vigilant when providing this information on the confirmation letters.

Updating of lists of authorized signatures at banks

9. As a result of our audit of the bank confirmations, we also found, as last year, isolated differences between the lists of authorized signatures kept by Management at Headquarters and the lists that we received as declared by the banks. Due to the fact that not all the confirmations had been received, we could not reach a conclusion over the signatories. It should also be mentioned that Management was aware when an outdated list was being submitted by banks and acted promptly, communicating with the banks in order to solve these discrepancies.
10. We cannot consider as “closed” the recommendation of our last year financial audit report related to signatures, which is still ongoing (refer to follow-up to rec. 1/2015, Annex 1).

Cash-in-hand at Headquarters and the Regional offices

11. On 31 December 2016, the cash-in-hand in CAD kept by the ICAO at Headquarters was equivalent to an amount of 2,354 CAD. Overall, the cash-in-hand at Regional offices amounted to the equivalent of 2,681.67 CAD. We performed a direct count of cash-in-hand at Headquarters, without detecting any problems.

Assessed contributions receivable from Member States

12. Assessed contributions receivable from Member States for the regular budget are composed of:
 - a) *Current*, which are due within 12 months (around 4.0 MCAD in 2016; 6.8 MCAD in 2015, a fall of 43%), and

- b) Non-current*, which are due after 12 months from the date of the financial statements (4.6 in 2016, 5.0 MCAD in 2015, a fall of 10%). This includes discounted long-term contributions.
13. We analysed the procedures in place at the ICAO for the discounting of receivables and our audit did not reveal any major issues. The cumulative discount on long-term receivables totalled 6.8 MCAD in 2016, a fall of 1.4 MCAD compared to 2015, reflecting amongst other things a decrease in the amount for long-term assessed contributions.
 14. The significant drop in current receivables shows an improvement in the collections for contributions from Member States; Management referred that this usually occurs in the Assembly years (96% assessments received in 2016; 93.6% in 2015). The number of Member States with balances owing only for the current year's assessments decreased to 16, from 43 in 2015.
 15. The improvement also concerned, although to a lesser extent, the number of Member States in arrears for a period exceeding one year, which decreased to 35, from 46 in 2015. Some Member States with long-term arrears liquidated their arrears during the course of the year; we understood from Management that they did this to restore their voting rights at the 39th Assembly. Some others concluded new agreements with the Council in 2016 in order to liquidate their arrears. At the end of the year, there were 12 such agreements and there were requests for two more agreements, which were being processed in the first quarter of 2017. The degree of implementation of existing agreements also improved. The number of countries which had not complied with their agreements (Group A) dropped to 7, from 9 in 2015. The number of countries with more than three years of arrears and no agreements (Group B) was 15 (against 18 in 2015).
 16. The status of outstanding contributions as at 31 December 2016 (including the year 2016) shows a total amount of 16.1 MCAD (including 1.9 MCAD as a consequence of the USD/CAD exchange rate for the USD assessment component) for 51 Member States. The total amount outstanding as at 31 December 2015 was 20.8 MCAD (with 2.9 MCAD due to the exchange rate) for 89 Member States. The breakdown of assessed contributions according to the year of assessment shows that the amount due for the current year plus the two preceding years decreased by around one third in 2016 (from 11.5 MCAD in 2015 to 7.4 MCAD in 2016). There remains a core of assessed contributions relating to 2012 and earlier, which are more difficult to recover.

17. The continuation of this positive trend is also dependent on the constant commitment towards implementing the various instruments introduced by Management to increase the timeliness of payments. In order to follow up our recommendation n. 3/2015, we verified the implementation of the procedures in place for collecting outstanding contributions. We found that, amongst other things, State Letters to Member States had been sent regularly (in June, September and November), showing the assessments receivable by all of them in respect of all financial years and, for the November letter, also the assessments payable for the year 2017. Moreover, individual follow-ups were performed, based on Statements of accounts issued monthly, e-mailed only to Member States with outstanding contributions and accompanied by invoices with the amount due. Customized communication proved to be the most effective instrument for settling arrears and increasing payments.

Receivables, advances and other current assets

18. Receivables and advances are composed of: a) *Current* (19.9 MCAD in 2016, - 5.7% with reference to 2015); and b) *Non-current* (0.3 MCAD in 2016, around - 21.0% from 2015).
19. *Current* represented 4.7% of the Total Assets, compared to around 5.0% in 2015. As stated in Note 2.3, they represented advances to employees, receivables from United Nations Agencies and other amounts due from revenue generation activities, such as sales of publications, and the rental for conference rooms and space to delegations.
20. An amount of 1.7 MCAD in 2016 is shown in the closing balance sheet under "others". In 2016, other current assets decreased by 0.4 MCAD (-17.2%) as compared with 2015 (2.1 MCAD). A detailed breakdown of these values is reported by Management in Note 2.3.

Inventories

21. At the end of 2016, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.51 MCAD, a decrease of 0.24 MCAD (-31.9%), compared to the 2015 net value of 0.75 MCAD. Inventories are detailed in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.39 MCAD in 2016) and Commissariat (0.12 MCAD).
22. We obtained and checked the lists of assets, comparing them with those from the previous year. We carried out a physical stock-check on a sample of items

- recorded in the inventories. No major problems which could impact the accounts at the closing date (31.12.2016) were identified.
23. We acknowledge the efforts made by Management in recording and reconciling the movement of products. However, in a test performed during our audit, we noted that some residual weaknesses remained. We recall the importance of providing accurate records on the actual quantities and on the fair market value of the inventory. Pursuant to recommendation n. 4 of our Report on FS 2015, please refer to the observation in the follow-up table (Annex 1).
24. We also stress that, for the audit of the Commissariat carried out by the EAO in 2015, 3 out of 15 recommendations are still in progress.

Consumables' inventories at Regional office level

25. During our audits at some of the Regional Offices (ROs), we observed that inventories for consumables were not carried out systematically on all the items. For instance, at the NACC RO, an inventory for consumables in stocks is only drawn up for toners, and not for other items; with regard to this limitation, the RO's Management stated that the value and quantities of their items were not relevant, in terms of logistics, because of the office's size.
26. However, we found no detailed procedures and checklists, decided at HQ level, which might have been distributed to ROs in order to provide precise guidance on the need to perform a consumables' inventory at RO level.

Suggestion n. 1

27. We therefore suggest that an internal feasibility analysis should be drawn up so as to assess if an inventory of consumables could be justified at all the Regional Offices. We also suggest that HQ set criteria for assessing when a consumables inventory should be undertaken at RO level and, subsequently, recorded in the accounts.

Proposal and comments by the Secretary General

Suggestion accepted. Management will ask the ROs to undertake an inventory to determine if the consumables are material. Management will also insert the controls over the issue on consumption of consumables in the Regional Office Manual (ROM)

Non-current assets

28. As at 31 December 2016, Non-current assets totalled 8.6 MCAD, essentially the same amount as 2015, (just a slight decrease of 0.04 MCAD). The basis for the evaluation of Non-current assets is given in the Accounting Policies (Note 1).
29. This heading is composed of: a) "Property, plant and equipment", amounting to 3.0 MCAD and representing 34.9% of total Non-current assets (in 2015 it was 2.4 MCAD, representing 28.1% of total Non-current assets); b) "Assessed contributions receivable from Member States", amounting to 4.6 MCAD (around 52.7% of the non-current assets); c) "Receivables and Advances", totalling 0.3 MCAD (see paragraph 18); d) "Intangible assets", amounting to 0.8 MCAD, around 9.2% of total non-current assets and 0.2% of total Assets (in 2015, 0.9 MCAD, equivalent to 10% of Non-current assets). The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

Property, plant and equipment

30. The heading "Property, plant and equipment" showed a value of 3.0 MCAD, which is the net value at 31 December 2016 of the capitalised cost for "Furniture & fixtures" (0.1 MCAD), IT equipment (0.4 MCAD), Office equipment (0.3 MCAD), Motor vehicles (0.3 MCAD), Leasehold improvements (1.5 MCAD), Machinery (0.3 MCAD) and Leasehold Improvements (WIP) (0.1 MCAD). Acquisitions during the year amounted to 1.4 MCAD and depreciations totalled 0.8 MCAD; this latter value can be traced in the dedicated accounts in the Statement of Financial Performance. Descriptions are provided by Management in Note 2.5.

Fixed assets management at Regional level

31. During the visit to EUR/NAT in December 2015, also with reference to the observations raised in the past by the French Cour des comptes and by the EAO, it was noted that some of the assets were not recorded in the asset register. In the long-form report annexed to the ICAO certificate for the financial year 2015 (C-WP/14468 – Addendum No. 2), although acknowledging the initiatives recently undertaken in this area by Management (particularly the release of new administrative instructions on December 2015), we made some recommendations. We also followed up these recommendations (see Annex 1) during our audit at the NACC Office.

The Asset Register kept at NACC and the Threshold decided by HQ

32. Two separate Fixed Asset Registers (FARs) are kept at the NACC office; they comprise all items of equipment, furniture, fixtures, etc.:
 - a) the Register required by ICAO internal procedures, recording all items above the threshold of 200 CAD; this amount was the threshold known to the NACC office at the date of our audit.
 - b) a specific register maintained by local Management of all the items below the threshold of 200 CAD.
33. The inventory records in the FARs were kept by the NACC regional office on Excel spreadsheets at the time of our audit (October 2016). In a teleconference with the Building Management and General Services Unit held on February 2017, HQ instructed NACC RO on how to begin working on the inventory using the barcode scanner and explained the new instructions in the portal (website). As stated above, however, this inventory with the barcode scanner was performed after our audit at the NACC RO; therefore we cannot reach a conclusion as to whether the inventory exercise was carried out correctly.
34. NACC RO Management informed us that, during the same teleconference, they were taught that all items above the threshold of 300 CAD should be recorded, a different decision from the previous one (above 200 CAD).
35. With regard to point b), we understood from RO Management that this register had an operational importance, and that it was only for internal purposes.
36. In respect of point a), the following points merit consideration:
 - Due to the exchange rate fluctuations, an item might be inserted in the RO Register at a given date, and a similar one might not be recorded at a subsequent date. At the time of our audit, 2,970 MXP was the equivalent of 200 CAD.
 - Low Value Assets (LVAs) below the threshold are recorded at NACC Level (refer to point b) above), although not regularly, whereas, our 2015 Audit Report (see recommendation n. 5/2015) showed that assets below the threshold were not recorded at HQ and at EUR/NAT; it is therefore difficult to assess which categories of LVA are relevant in total.
37. The Administrative instructions approved in December 2015 revised the threshold for recording LVAs in the Inventory Management System (IMS) to 300 CAD. Furthermore, at Headquarters, since 1 January 2010, any individual items

above 3,000 CAD or any grouped assets above 25,000 CAD must be capitalised and depreciated in accordance with IPSAS requirements.

Recommendation n. 2

38. In our recommendation n. 5/2015 we recommended “*that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value*”; therefore, also considering that at Regional Level recording and monitoring all the assets regardless their value is an important key management control tool (local value equivalent to CAD 300 might be really meaningful in certain Regional Offices), we renew our recommendation that every assets should be recorded in the IMS (the new barcode system and software will facilitate the logistic and timing of the inventory) and, also, in the consideration that lowering the threshold, it would enhance controls over Fixed Assets.

Proposal and comments by the Secretary General

The threshold for capitalization for PPE (C\$ 3,000) was discussed with our previous External Auditors and agreed with them. We have done a cost-benefit analysis and we conclude that to track the large number of items between CAD 300 and CAD 2,999 will require an effort and investment of resources which is not commensurate with the value of such items. However, we will accept your recommendation and we will track the assets between CAD 2,000 and CAD 3,000 in the FA Module.

Additionally, we would like to refer to the Administrative Instructions on Management, Plant and Equipment dated 22 December 2015, which states a threshold of 300 CAD (PPE 2.2) for all HQ & RO’s assets, as the tagging of all assets under the 300 CAD value would not be cost effective for the organization. In addition, tagging of all items is not a practice, nor is it best practice, followed by other UN Organizations. We are aware that some Regional Offices are tracking assets below CAD 300 and in case they are able to do so, we will encourage them to continue this practice.

The accuracy of the Asset Register at HQ and RO level needs to be improved

39. In our random checks, we found that some items assigned to staff were not present in their offices. We understood from Management that there is no specific procedure in place, either at HQ level, or at RO level, requiring officials to declare or obtain authorization when such items are used outside the RO perimeter for missions or other purposes.

40. For instance, no “internal movement authorization” form is signed each time an item is moved from its assigned location and ownership to another place or

owner. However, although we could consider not relevant having such authorization in NACC RO, due to the office's limited size, at the HQ level, this issue, if not constantly monitored, might make it impossible to trace a particular asset back to the register.

41. Both at HQ and RO level, some locations and some owners indicated in the Asset register had changed from the 2015 Inventory. We considered that these internal movements could be regularly detected at the end of the year's inventory exercise, however Management informed us that the physical inventory exercise is only carried out once every three years.
42. We stress the importance of the accuracy of the inventory under IPSAS rules. It is essential that the people in charge of each sector strictly follow the relevant procedures, with regard to recording the existence of some items and their movements, and correctly assessing their values. We also stress the fact that an accurate asset register is not only important for the value recorded in the Statements; it is also an important tool for an efficient and effective asset management.

Recommendation n. 3

43. We therefore recommend that Management increase its efforts to recognize, label and capitalize the fixed assets located at the ICAO, in order to have a more accurate record of transfers of assets, through procedures and processes that will bolster coordination between different Departments.

Proposal and comments by the Secretary General

Recommendation is accepted as the Organization needs to reinforce the tracking of assets that are transferred.

ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.

A "Fixed assets management" requires further implementation

44. Based on the audit carried out this year and the considerations in the previous paragraph, we found that there was no clear indication of the status of fixed assets in the Asset Register or other supporting databases (e.g., "active", "not in use", "partially utilized", etc.). There was also no clear indication of their precise

assignment to staff, and no monitoring as to whether staff were using the items assigned effectively and appropriately.

Recommendation n. 4

45. We consider that the asset management framework needs further improvement; therefore, we recommend that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ICAO Bureaus and Regional offices.

Proposal and comments by the Secretary General

Continuous efforts will be undertaken to further improve the accuracy of the asset register. While a comprehensive inventory count and assessment is performed on a regular basis, the Organization does not have the resources to centrally and continuously monitor the status and level of utilization of all assets.

In addition to the regular inventory count, ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.

Strengthening controls over IT Assets

46. Based on the audit carried out this year, and the considerations in paragraph 44 on “Asset Management”, in our limited sample, we found that IT assets needed specific attention in terms of: i) monitoring their obsolescence and related useful life, ii) assigning technologically appropriate tools to staff, iii) the safety and security of information due to the fact that portable devices are easily subject to loss and theft, and iv) monitoring proper, efficient and effective use (e.g., “active”, “not in use”, “partially utilized”, etc.).

47. For instance, during our audit at the NACC Office, we observed that some portable devices had been delivered in 2011 and in 2013, after the Assembly, directly to all the ROs. These devices were assigned by HQ without a formal request from the NACC Office (for instance, a “recognition of need”) and, in some cases, were not used at all, even though they were still functional. As a result, at the time of our first visit in October 2016, some of these devices were

listed in the Attachment C (“Items for approval to be Written-off”). Management confirmed that these items will be written-off during 2017.

Recommendation n. 5

48. We recommend that the Asset management of IT tools Assets will be further implemented as soon as possible according to Recommendation n. 4 and, in particular, that portable devices i) are carefully monitored in all their useful technical life, and ii) are assigned only after a “recognition of need” (prepared according a specific procedure). This, in order to avoid that these devices, although still serviceable, are written off, or left unused, while continuing to buy similar devices.

Proposal and comments by the Secretary General

Recommendation accepted. ICT already implemented an IT asset management system as part of the deployment of a standard ITIL management system. ICT has been keeping a record of all IT assets acquired in HQ since 2014. This system will be expanded to record IT assets acquired before 2014, and it will also be deployed to the Regional Offices. Users are required to submit a form in support of the acquisition of IT assets which will be added to the IT assets database.

A revision of the depreciation coefficients is needed

49. In the accounting policies (Note 1 to the Financial Statements), the paragraph on Property, Plant and Equipment describes the categories into which the ICAO’s assets are divided, and their related lifetimes.
50. During our audit we noted that the lifetimes set out in the ICAO’s Policy were not always in line with the document “UN Policy Framework for IPSAS” (Second edition, see, for reference, paragraph 13.2 and following). Therefore, some of the categories and their related lifetimes might need to be amended accordingly.

Recommendation n. 6

51. In this regard, in the consideration that the useful life used by ICAO is in most cases within the ranges adopted in the UN system, we recommend that Management review the cost-benefit of varying the different categories' lifetimes and their related depreciations according to the "upper-limits" according to UN practices, in particular with the aim of extending the useful life for some specific categories. Where categories are updated, an adjustment of net book value might be needed.

Proposal and comments by the Secretary General

Recommendation accepted. The useful life has been established after discussion with CSG and ICT, however a cost benefit analysis (and its eventual impact) of utilising the " upper limits" foreseen in the UN System will be carried out .

Write-off of assets

52. During our audit at the NACC office, in our limited sample, we found that one item listed in "Items for Approval to be written-off in 2015 Attachment C", e.g. desktop computer, was actually reused. We understood from Management that, in particular for IT equipment, the "end of the useful life" (e.g. the end of the depreciation) "accelerates" the disposal of items, and apparently, HQ has not provided specific procedures that might help the useful life where an item might still be used at the end of the depreciation period.
53. In this connection, last year we issued a recommendation (Rec. n. 6/2015, see Annex 1) on the need to reinforce procedures relating to write-offs of items.
54. From an asset management point of view, we consider it to be relevant that, before writing-off an asset, information should be made available to all Departments and Regional offices, in order to decide on the item's residual cost-benefit before buying an equivalent one.

Suggestion n. 2

55. Following also what stated in our recommendation n.6 above, we suggest i) that asset management related to disposal might be further enhanced in particular through an assessment if an asset could be used further beyond the “estimated” life cycle when the depreciation ends and ii) to consider, subject to a cost/benefit evaluation, the possibility of exchanging assets between Departments and Regional offices, before deciding to buy a new item.

Proposal and comments by the Secretary General

Suggestion partially accepted. As per policy, the life cycle is still the main indicator of asset value and eligibility to be written off. However in practice, items that are still serviceable are utilized until they are unserviceable.

A cost/benefit evaluation has been performed and has determined that transfer of items between the eight RO's and HQ would not be cost effective to the organisation as a result of costs, regional needs, data safety issues and transportation requirements.

Intangible Assets

56. In 2016, Intangible Assets amounted to 0.8 MCAD; they had decreased by around 0.1 MCAD (-8.5%), compared to 2015 (0.9 MCAD); the values related to depreciation were traced in the Statement of Financial Performance. The breakdown is illustrated in Note 2.6.

LIABILITIES

57. In 2016, Total Liabilities amounted to 494.4 MCAD, a decrease of 11.8 MCAD (-2.3%) in comparison with the value recorded in 2015 (506.2 MCAD). They consisted of:

- a) *Current Liabilities*, amounting to 352.0 MCAD, representing 71.2% of Total Liabilities (in 2015, they represented 70.5%, totalling 357.1 MCAD), and
- b) *Non-Current Liabilities*, totalling 142.4 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 28.8% of Total Liabilities (in 2015, non-current liabilities represented around 29.5%, totalling 149.1 MCAD).

Current Liabilities

58. In 2016, total Current Liabilities amounted to 352.0 MCAD, a decrease of 5.1 MCAD (-1.4%) compared to 2015 (357.1 MCAD). These were composed of:
- a) “Advanced receipts”, totalling 312.6 MCAD in 2016 (320.3 MCAD in 2015, a decrease of 2.4%). These represented around 88.8% of Current Liabilities and 63.2% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (291.0 MCAD in 2016). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A detailed breakdown of these values is provided by Management in Note 2.8.
 - b) “Accounts payables and accrued liabilities”, recorded for an amount of 29.6 MCAD in 2016 (27.9 MCAD in 2015, an increase of 6.4%), representing 8.4% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
 - c) “Employee benefits”, recorded for 8.3 MCAD, an increase of 1.1 MCAD (14.9%) compared to 2015 (7.2 MCAD). See dedicated paragraph below for further considerations.
 - d) “Credits to contracting/servicing governments” amounting to 1.5 MCAD and representing 0.4% of Current Liabilities (0.5% in 2015).

Non-current Liabilities

59. Total non-current Liabilities are only related to “Employee benefits”; in 2016, they amounted to 142.4 MCAD, representing a decrease of 6.7 MCAD (-4.5%) compared to 2015 (149.1 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided a disclosure of the sensitivity of trend assumptions in Note 2.10.2.

Employee Benefits

60. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 8.3 MCAD and under “Non-current liabilities”, with a value of 142.4 MCAD, as summarised in the table below. The total decrease in the Liabilities (Current and Non-current) is 5.6 MCAD.

<i>Liabilities</i>	Year (MCAD)		Variance 2016-15	
	2016	2015	MCAD	%
<u>Current</u>	8.3	7.2	1.1	15.3%
<u>Non-current</u>	142.4	149.1	-6.7	-4.5%
<u>Total</u>	150.7	156.3	-5.6	-3.6%
<i>Composition</i>				
Post retirement Plan (ASHI)	124.3	129.8	-5.5	-4.2%
End of service-annual leave	8.8	8.8	0.0	0.0%
End of service-repatriation benefits	14.9	15.2	-0.3	-2.0%
Other employee benefits for international experts	2.7	2.5	0.2	8.0%
Total	150.7	156.3		

61. The overall decrease in these Liabilities, jointly with their disclosure, is explained by Management in Note 2.10, and the basis for the evaluation of Non-current liabilities is given in the Accounting Policies (Note 1, paragraphs 30-33).

Liabilities generated by benefits related to the ASHI, Leaves and Grants

62. As shown in the table above, the decrease in these Liabilities corresponds almost totally to the decrease in the “After Service Health Insurance (ASHI) (5.5 MCAD out of 5.6)”. These liabilities are due to actuarial loss or gain, and were calculated by an actuary chosen by Management (AON Hewitt), according to actuarial assumptions reported by Management in Note 2.10.3.

63. These assumptions consider elements like the discount rate on long-term Canadian government bonds, with the yield as of 31 December 2016 (2.40%; it was 2.20% for 2015), and the exchange rate between USD and CAD (1.00:1.354 in 2016; it was 1.00:1.385 in 2015). In compliance with IPSAS 25, a sensitivity analysis relating to the discount rate is disclosed by Management in paragraph 2.10.2 of the Notes.

64. Although we noted a decrease in the ASHI actuarial liabilities, this is due not to structural measures that have been adopted to reduce the underfunding, but only to improvements in the financial assumptions.

65. In 2016, we presented a performance audit report to the Council on the effectiveness of measures taken by ICAO’s Management to reduce ASHI liabilities. This audit also considered the perspective of a long-term scenario, shown in a full-actuarial review commissioned by Management, involving the implementation of our recommendation n. 3/2014.

66. Based on the study by the actuary chosen by the ICAO and with the support of the analysis carried out by our actuaries, we addressed some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities, issuing three recommendations, which did not affect acquired rights.
67. In particular, the first recommendation was related to the possibility of paying a premium proportional to the size of the salary or pension, instead of a premium linked to the position (Professional or General services). The second recommendation considered that a worldwide health coverage for a retiree (charged to the ICAO budget) was very expensive and not linked to service needs; so, it would have been logical for the ICAO only to guarantee coverage for the country of residence.
68. In the action plan sent by EAO on the status of the implementation of our recommendations, these two are considered closed by Management, with the motivation that *“the two options had been met with strong opposition from the ICAO Staff Association and retirees’ representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it”*.
69. We note that an “expectation” is not an “acquired right”; furthermore, we also point out that the actuary, in the first step of the study, had proposed stricter measures, which would have reduced the underfunding of the ASHI very quickly. However, these measures were not accepted, because they also reduced acquired rights. For this reason, the actuary carried out a second step of the study, to propose alternative measures, although these would be less effective in reducing the liabilities. The sole recommendation that is still “in progress” is the one related to the so called “opt-out” incentive, which could only have a very small impact on the underfunding.
70. Given the above, our opinion is that a new study should be performed by the actuary, to evaluate when, with the measures adopted (“opt-out” and increasing retirement age to 65), the actuarial liabilities would have an impact on the ICAO’s ability to continue as a going concern, also because this is a specific declaration that Management is required to make under the revised ISAs 570 (para. 2, 3 and A2) and 700 (para. 33 and 34-b), at the moment of the presentation of the Financial Statements.

Recommendation n. 7

71. We recommend that a new actuarial study be performed, to evaluate if and when the actuarial liabilities related to the ASHI will impact the ICAO's ability to continue its core activity as a going concern, after the current measures considered by ICAO have been implemented.

Proposal and comments by the Secretary General

Recommendation accepted. Once the implementation of offering the opt-out option is completed and the acceptance rate is known, a new actuarial study will be conducted to evaluate the real impact of this option in reducing the ASHI liability and the benefit payments. Regarding the going concern issue, to believe that ICAO will cease to be a going-concern implies that Member States will refuse to honor their liabilities in the future and that assumption is not supported by the Council.

Negative value of the ICAO's Net-assets is influenced by actuarial liabilities. Based on the ICAO's assumptions, the value of liabilities is substantially correct

72. The amount for actuarial liabilities (142.4 MCAD) represents 28.8% of total liabilities (494.4 MCAD) and has an impact on the ICAO's Net asset.
73. The choice of actuarial assumptions is the sole responsibility of Management. The External Auditor checks their plausibility and their consistency with IPSAS 25 and with previous years and validates them.
74. As last year, for this specific subject, our team made use of a group of public actuaries, expert in social benefits. They carried out a review of the key assumptions related to 2016, which were duly discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at the ICAO at the moment of our audit, and we validated them.
75. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the ASHI, Annual leave and the Repatriation Grant; they also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used by AON. Management and its experts provided full cooperation and assistance to our actuaries.

76. The work of our actuaries revealed that the amounts recorded in the accounts were substantially correct.

NET ASSETS

77. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2016, Net assets resulted in a negative value of -67.5 MCAD, with an improvement of 19.8 MCAD (22.7%) compared to -87.3 MCAD in 2015. In relation to the negative Net assets, please refer to Paragraph 72.
78. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II “Statement of financial performance”, which shows the surplus for the period (7.5 MCAD);
 - b) Statement III “Statement of changes in net assets” with the movements listed separately;
 - c) Note 2.12, where Management discloses details on the composition of the reserves.

STATEMENT OF FINANCIAL PERFORMANCE 2016

79. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis in order to explain the year’s net deficit or surplus. The result for the period is a surplus of 7.5 MCAD.

REVENUE

80. Total revenues amounted to 267.9 MCAD, with a decrease of 4.3 MCAD (-1.6%) as compared with 2015 (272.2 MCAD). This was composed of:
- a) “Contributions for project agreements” totalling 121.5 MCAD in 2016 and representing 45.3% of Total revenues; these contributions decreased by 10.8% from 2015 (136.3 MCAD);
 - b) “Assessed contributions”, amounting to 106.9 MCAD in 2016, representing 39.9% of Total revenues, up 15.72% compared to 2015 (92.4 MCAD);
 - c) “Other revenue producing activities”, totalling 21.0 MCAD in 2016, and representing 7.8% of Total revenues; an increase of 10.3% compared to 2015 (19.1 MCAD);
 - d) “Other voluntary contributions” totalling 15.0 MCAD in 2016 (5.6% of Total revenues), a 37.4% increase compared to 2015 (10.9 MCAD);

- e) "Administrative fee revenue" and "Other revenue" totalling jointly 3.5 MCAD in 2016 (1.31% of Total revenues), a 74.1% decrease compared to 2015 (13.6 MCAD).
81. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

EXPENSES

82. Expenses totalled 260.4 MCAD, with a decrease of 9.4 MCAD (-3.5%) as compared with 2015 (269.8 MCAD). These were composed of:
- a) "Staff salaries and employee benefits", totalling 157.3 MCAD in 2016 representing 60.4% of Total expenses; a decrease of 1.41% from 2015 (159.5 MCAD);
 - b) "Supplies, consumables and others", amounting to 59.9 MCAD in 2016 and representing 23.0% of Total expenses, down 10.5% compared to 2015 (66.9 MCAD);
 - c) "General operating expenses", totalling 21.1 MCAD in 2016 and representing 8.1% of Total expenses; up 5.3% as compared with 2015;
 - d) "Travel", totalling 12.1 MCAD in 2016 and representing 4.6% of Total expenses, up 0.9% compared to 2015 (12.0 MCAD);
 - e) "Meetings, Training and Other expenses", totalling jointly 10.0 MCAD in 2016 (3.4% of Total expenses), a 11.2% decrease compared to 2015 (11.3 MCAD).

Procurement

83. Procurement represents part of the expenses analysed in the paragraph above and accounted as "Supplies, consumables and others", "General operating expenses", "Meetings" and "Training".
84. In 2015, EAO carried out an audit on "Procurement for Headquarters" (IA/2015/1), whose objective was to assess procurement activities conducted by both ICAO's Procurement Section (PRO) and allotment holders under delegated authority; we observe that in 2015, 8 out of the 13 recommendations in the EAO's report were implemented (61.5%). In 2016, according to the follow-up table provided by EAO, the percentage rose to 84.6%.

85. Being aware of the relevance of the key issues raised in this report, we took note of the audit findings and conclusions for our audit of this sector, which is summarized in the following paragraphs.

The United Nations Global Marketplace

86. The ICAO is not part of the United Nations Global Marketplace (common procurement portal of the UN system of organizations). UNGM has a United Nations General Assembly mandate to: 1) Enhance transparency and increase harmonization of UN procurement practices 2) Simplify and streamline the registration process for vendors 3) Increase procurement opportunities for vendors from developing countries 4) Create one common UN global procurement portal.
87. Subparagraph iii) of Recommendation 8 (“Expansion of sources of potential suppliers”) of EAO’s Report IA/2015/1 recommends “*subscribing to and actively using the United Nations Global Marketplace (UNGM)...*”.
88. At the time of our audit, Recommendation 8 was still “outstanding” and the Action Plan reported that “*(...) given that 2016 was an Assembly Year (...) it was not possible for Procurement to enlarge the companies potentially invited for ICAO needs. However, following D/TCB’s instructions, Procurement shall develop advertisements in local and regional newspapers to extend and increase the supplier base for Regular Program Procurement. Additionally, Procurement will discuss with the UN Secretariat on seeking admission to the UNGM in order to increase potential opportunities and increase competition*”.

Recommendation n. 8

89. We share the EAO’s view and we recommend, especially considering that ICAO actively participates in the HLCM, that it should “*subscribe to and actively use the United Nations Global Marketplace*” (as already stated by EAO) in order to achieve the objective envisaged by the mandate of the United Nations General Assembly. The ICAO Procurement Office should consider publishing procurements related to the ICAO “Regular Programme” and Field Procurement, as applicable, in the UNGM, in order to enhance its transparency to the level requested by the United Nations General Assembly mandate.

Proposal and comments by the Secretary General

Agreed. ICAO has joined the UNGM as of 24 March 2017.

Sole source at ICAO

90. Article 6.6, point a), of the ICAO Procurement Code envisages that contracts/purchase orders may be awarded or issued on a sole-source basis provided that the value of the procurement is below 5,000 CAD.
91. Subparagraph ii) of Recommendation 8 (“Expansion of sources of potential suppliers”) of EAO’s Report IA/2015/1 recommends *“increasing the use of generic calls for expressions of interest whereby potential suppliers can be “pre-qualified” for the procurement of goods/services in a particular area”*. Moreover, Recommendation 11 (“Compliance with the Procurement Code for purchases below CAN \$10,000”) states that *“One of the circumstances in which sole-source is allowed, is where the value of the procurement is below CAN \$5,000. However this does not mean that every purchase below this threshold should be sole source. ICAO allotment holders have a responsibility to ensure that best value for money is obtained and therefore, wherever possible, a minimum of three quotations should be obtained in order to benchmark the quality of goods/services and the prices available on the market...”*.

Recommendation n. 9

92. We acknowledge that EAO’s recommendation n. 8 is still “Outstanding”. At the same time, we agree with the contents of EAO’s recommendation n. 11 which, unlike n. 8, is considered to have been “implemented”. However, in our limited sample, we detected cases of sole source contracts awarded repeatedly to the same supplier (threshold below 5,000 CAD), without at least 3 quotations being obtained or documented. Therefore, in order to increase competition and avoid recurrent Direct Purchase Orders being given to the same supplier, we share EAO’s recommendation and we renew it, in particular, with regard to the fact that the ICAO should select more than 1 “pre-qualified” supplier in advance (for example for a period of 1 year), requesting the best offer at the moment when the service is needed.

Proposal and comments by the Secretary General

Agreed: The sole source justification for ICAO Procurement has been revised to indicate that even if purchases by ICAO staff are below \$5,000 a market analysis and assessment of price must be conducted. Additionally the Direct Purchase Order guidelines have been developed and published for ICAO staff.

93. Furthermore, according to the ICAO Procurement Procedures Manual, in cases of sole-sourcing, no contract award notice is published on the ICAO tendering bulletin board.

Recommendation n. 10

94. In order to increase transparency in the use of the funds, in particular for Regular Programme Procurement, we recommend that, in relation to sole-sourcing, a contract award notice should be published on the ICAO tendering bulletin board (or UNGM).

Proposal and comments by the Secretary General

Partial Agree. Given the limitation of the Alito system (its design), we cannot publish sole source since they are not, given their nature, initially tendered on a competitive basis. Nevertheless, we shall report on all sole source procurement to the Chairman of the Contracts Board.

Monitoring Direct Purchase Orders at the ICAO

95. The ICAO Procurement Code and Procurement Procedures Manual do not always require prior authorization from the Procurement Office in the Technical Cooperation Bureau for Direct Purchase Orders (or, alternatively, from another competent office designated by the ICAO).

Recommendation n. 11

96. We recommend that, in order to increase the value-for-money of the entire procurement process and avoid potential abuse of DPO, the ICAO should introduce a procedure for the prior authorization of Direct Purchase Orders, in order to reduce the risk of abuse of Direct Purchase Orders and sole-source procurements.

Proposal and comments by the Secretary General

Agree. However the responsibility and guidance for issuing a Direct Purchase Order at ICAO lies with the respective Bureau Directors and Section Chiefs to ensure that ICAO Allotment Holders follow the respective rules and regulations.

Monitoring the sole source at the ICAO

97. Sole-source purchases are justified under one of the conditions specified in paragraph 6.6 of the Procurement Code. One of the sampled procurements refers to a sole-source purchase above 50,000 CAD. The justifications provided for obtaining the supply on a sole-source basis are, in our view, not sufficient to justify the use of a sole-source contract, so we do not consider this purchase to comply with the ICAO Procurement Code. In reality there was a competitive market-place for the purchase of the items and there were also alternatives such as, for instance, renting alternative technical tools and/or the service.
98. Recommendation 10 (“Monitoring of sole source purchases”) of the EAO’s Report IA/2015/1 states that *“PRO should keep a central record of all sole source procurements, including the supplier, requesting bureau/office, and the justification basis, in order to identify patterns and/or potential areas of abuse”*.
99. Furthermore, the same document reports that *“In two cases (both to the same supplier) there was no documented justification for obtaining the services on a sole source basis, however approval from the Secretary General was obtained to deviate from the procurement rules. In another two cases (PO 12500579 and 12500515), sole source was approved on an exceptional (retroactive) basis because staff in the requisitioning office had bypassed PRO and had undertaken the procurement action themselves”* and *“In all cases where the sole source purchase was for CAN \$50,000 or more, the approval of the Contracts Board and the Secretary General had been obtained”* and they ended recommending that *“As noted in recommendation 8 above, it is important to ensure that sufficient competition is obtained wherever appropriate, and that any instances of sole source are genuinely justified”*.
100. At the time of our audit, Recommendation 10 was considered as “implemented” and the Action Plan stated that *“In order to track procurements that are sole source, effective immediately, the Procurement Section has added a column in*

the Purchase Order summaries that requires an entry for each procurement indicating whether it is sole source or not”.

Recommendation n. 12

101. It is noted that EAO’s recommendation is considered as “implemented”. It is also noted that PRO has added a tracking method to identify when ICAO Allotment Holders issue multiple Direct Purchase Orders to the same supplier. However, in the best-case scenario, the Procurement Section, in presenting the yearly statistics to the Secretary General, can only highlight potential abuse after the event. In the meantime, we have found a case (see paragraph 97) where a sole source was obtained without adherence to the ICAO Procurement Code. Therefore, we recommend that ICAO allotment holders should duly fill in a sole-source request form and have it duly approved by the appropriate authority (Chief or Higher) and that a solid justification be provided.

Proposal and comments by the Secretary General

Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.

Recommendation n. 13

102. In relation to the previous recommendation, we also recommend that a study or cost-benefit analysis be carried out for every substantial ICAO Regular Program Procurement (such as the purchasing vs leasing of tablets for the voting system) so as to identify the merits of this procurement.

Proposal and comments by the Secretary General

Agreed with the caveat that the responsibility lies with the ICAO Allotment Holders.

Possibilities to increase the level of transparency in procurement

103. The Procurement Procedures Manual states that contract award notices should be published on the ICAO tendering bulletin board.

Suggestion n. 3

104. Overall, we suggest that, as soon as the procurement procedure is concluded, all the potential eligible vendors participating in the procurement procedure should be informed of the outcome of the procedure.

Proposal and comments by the Secretary General

Agreed. Actual procedures in TCB consider that all Tenders awarded were and are currently published on the ICAO Procurement Portal indicating to who and the amount awarded.

105. Furthermore, during our audit, we found that the tender dossiers did not show clearly how and to whom potential vendors were meant to find about the outcome of procurement procedures. In particular, some of the tender dossiers sampled contained the following statement: “*ICAO reserves the right to reject any or part of a tender without disclosing information*”.

Suggestion n. 4

106. We therefore suggest that ICAO should introduce an internal procedure to enable potential suppliers to enquire about the outcome of tender procedures.

Proposal and comments by the Secretary General

Agreed. That procedure already exists internally but it will be published as part of the tenders.

Assessing the cost-benefit of having different technical consultants

107. Moreover, in our sample we found a case where that the technical consultant hired to prepare the tender specifications, the tender evaluation and the implementation of the contract were the same person.

Suggestion n. 5

108. We therefore suggest that ICAO should explore the possibility and the cost-benefit of having different technical consultants for the different stages of the procurement process.

Proposal and comments by the Secretary General

Noted. ICAO will study the possibility on a case by case basis.

Introducing a Declaration of Absence of Conflict of Interest in the procurement process at the ICAO

109. We noticed that no Declaration of absence of a conflict of interest (DACI) was required from the official that checks the steps in the procurement process. Furthermore, we found that there were no procedures to identify who was responsible for verifying the absence of a conflict of interest and had the power to investigate the reliability of a DACI provided.

Recommendation n. 14

110. We recommend that specific and detailed Declaration of absence of conflict of interest (DACIs) should be provided, duly signed, by all the people involved in the procurement process, and, further, we also recommend that the ICAO: A) should identify which people are able to assess the reliability of DACIs and B) should have the power to realign the procurement process towards correct practice once a DACI has been assessed as not reliable.

Proposal and comments by the Secretary General

All Procurement Staff as well as Senior Management in TCB dealing with Procurement have a Declaration of Absence of Conflict of Interest. For points “A” and “B”, this matter should be referred to the ICAO Ethics Officer.

Personnel

111. We reviewed a number of randomly selected payslips related to various categories of staff members (GS and Professional) from the Headquarters, the regional offices and the field. We checked the accuracy of the amounts against the current remuneration package and sought evidence in the personal files for any allowance obtained. Our substantive testing did not reveal any errors or major issues, so we consider that we obtained reasonable assurance that the values recorded in the accounts were correct.

112. We note that, as a result of our recommendation last year concerning the centralization of the payroll function for field staff, a pilot project has been implemented on the Namibia field personnel, all of whom are currently receiving payslips, orders to personal bank accounts and annual statements of earnings for taxation purposes prepared by the HQ Payroll Office. This standardizes the payment process, centralizes it to a place where the relevant knowledge is held, and minimizes the risk of wrong payments.

113. We understand that, subject to an analysis of the success of the pilot project, the current situation will be reviewed with the intention of extending the new system to all categories of field personnel, for all TC projects, currently administered through the Field Personnel Section. An extension of this service, however, requires additional resources for the HQ Payroll Office and for Treasury.

Suggestion n. 6

114. Since this extension would require additional resources, which are currently not available at HQ Payroll and cannot be charged to the field projects as a direct expense, we suggest that an agreement be sought with the TCB to finance this service in an alternative manner.

Proposal and comments by the Secretary General

An agreement between TCB and the Regular Budget needs to be sought for additional resources in the Payroll Office and in Treasury in order to deliver the service to all field staff. However, TCB should develop a methodology that would pass on the cost of the additional recourse fairly to all TC projects. Any solution whereby the cost is absorbed by the AOSC Fund would be unacceptable. We are also concerned that the solution is not scalable because the cost of the additional resources would be fixed in the short-term. However, the UNDP solution presents a scalable option.

Segment reporting

115. A report by segments is provided in Note 5 of the 2016 Financial Statements. The aim of this segmentation is to disclose the financial position and financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2016

116. Statement III “Statement of changes in net assets” shows movements during the year, ending in a negative balance of -67.5 MCAD at 31 December 2016. The improvement in the negative net assets is due to the variation in actuarial

gain and to the surplus of the year. Our audit conclusions on the negative net assets are noted in the paragraphs related to “Employee Benefits”.

STATEMENT OF CASH FLOW

117. The Statement of cash flow identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.
118. In 2016, the ICAO reported a net cash flows of 13.0 MCAD from operating activities, which was positive, as it had been in 2015 (95.7 MCAD). Net cash flows from investment activities (-0.2 MCAD) showed a negative variation as compared to 2015, due to an increase in Interest income and a decrease in Investments and in Acquisition of property, plant and equipment and Intangibles.
119. The net result in cash and cash equivalents showed an increase of 12.8 MCAD in 2016. We checked the underlying entries by selecting samples from some accounts. The result was that all selected transactions were properly backed by supporting documentation. The Cash Flow Statement was thus verified and confirmed.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

120. Statement V “Comparison of budget and actual amounts for the year ended 31 December 2016” is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between the budget and actual amounts. Further details concerning Statement V, which relates only to the Regular Programme Fund, are provided in Note 4.
121. It is worth mentioning that an EAO audit report (IA/2016/2, see also paragraph 137 et seq. below) raised a number of issues and made several recommendations with regard to the ARGF. One of these recommendations states that *“the fact that in 2015 CAD 2,011,075 of salary costs were initially charged to ARGF but then transferred to the regular programme at year end, thereby increasing the ARGF surplus and reducing the carry-over of the regular programme by this amount.”*
122. Furthermore, the draft audit report mentions that *“this appears to be a one-off decision for 2015”* and argues for transparency and comparability and therefore consistency from year to year so that the figures can be compared over several

years. EAO then recommends that “*these costs should be included in the regular programme budget and that the annual budget should be increased*”.

123. In the Report “Annex 4-Secretariat Action Plan”, Management did not accept the recommendation and the Secretary General sought advice from the EAAC (see also paragraph 138). In its “Overall Conclusion” paragraph, the EAAC reported Management’s reply that: “*in terms of transparency (...) it does not affect the main financial statements but there is an impact on the Statement V: Regular Programme General Fund Statement of Comparison of Budget and Actual Amounts for the year ended 2015 if compared to the prior year*” We therefore analysed the potential impact on Statement V and discussed the issue with Management.

Recommendation n. 15

124. In compliance with Article 12 of the ICAO Financial Regulations, *Statement V* of the Financial Statements is only disclosed for the “Regular Programme General Fund”. In order that such cost transfers do not impact Statement V, we recommend that, from next year onwards, Statement V should include all the Funds that are reported under “Regular activities”. Furthermore, Statement V should reconcile budget results with the Surplus/Deficit for the year. If Statement V captures all Funds under Regular Activities that contribute to the Surplus/Deficit, cost transfers between these funds will not impact Statement V in the aggregate.

Proposal and comments by the Secretary General

Agreed to the recommendation. A new Statement V-A “Statement of Comparison of Budget and Actual Amounts” will form part of the 2017 Financial Statements, to include all Regular Activity funds and its budgets – only if publicly available (as IPSAS 24), and to reconcile with Surplus/Deficit of Statement II (Statement of Financial Performance).

Carry-over of Appropriations

125. ICAO handles two categories of carry-overs:

- a) *Outstanding commitment carry-overs* which, in accordance with Article 5.7 of the ICAO’s Financial Regulations, aim to “discharge expenditures incurred” during the previous year. This concerns obligations entered into in one year, but delivery against which is only expected the following year, as well as

some employee entitlements, such as accrued leave and repatriation grants for staff who separated from ICAO during the year;

- b) *Surplus carry-overs*, which consist of savings from unspent appropriations. In accordance with Article 5.6 of the Financial Regulations, these savings may be carried over under the authority of the Secretary General up to 10 per cent per appropriation for each Strategic Objective or Supporting Strategy. Above this percentage, a Council decision is needed.
126. With regard to the first category, we selected a sample of commitments carried over to 2016 from 2015 and ensured that: (a) the carry-over had been properly authorized; (b) there was adequate supporting documentation for carrying-over the commitment; and (c) the amount was accurate. Then, we checked the expenditures against the carry-overs included in the sample and reviewed invoices to ensure that their description fell under what had been authorized to be offset. Our analysis did not reveal any major issues. The amount for outstanding commitments carried over to 2016 from 2015 to clear legal obligations was 12.19 MCAD; the amount carried over to 2017 from 2016 is 12.25 MCAD.
127. With regard to Surplus carry-overs, it is worth noting that, according to Article 5.6 of the Financial Regulations, a decision on their use may be taken by the Secretary General “irrespective of its authority to effect transfers” under Article 5.9. The Secretary General may thus make use of this authority (to transfer appropriations under Article 5.9 of the Financial Regulations) before determining the amount of unspent appropriations to be carried over. The recent amendment of Article 5.9, approved during the 39th Assembly, has broadened the Secretary General’s authority to effect transfers from 10% to a ceiling of 20% of the annual appropriations when it comes to transfers from one Strategic Objective or Supporting Strategy to another. As a result, the authority of the Secretary General, whilst remaining within the 10 percent limit if one refers to the whole budget, may go beyond this percentage with regard to individual strategies.
128. A Policy dating back to 2009 (C-DEC 187/9) establishes the guidelines for use of carry-over. Apart from open purchase orders, which fall under the different category of outstanding commitments, priority in the use of savings is primarily given to past initiatives “that have been delayed or otherwise postponed”. This priority (limited in practice to a “rolling effect” for decisions that have been taken but not yet implemented) also applies to the Secretary General when it makes use of its authority pursuant to Article 5.6 of the Financial Regulations.

However, more flexibility may be desirable, for instance when new or urgent needs appear. The Secretary General has in fact a discretion, of up to 10 percent of the approved budget.

129. Currently, if the carry-over is within the authority of the Secretary General, a Council Working Paper is presented to the Finance Committee and the Council for information only, and a paragraph on Part I (Reports by the Secretary General) of the Financial Statements describes, in general terms, how the surplus carry-over is being utilized. If the surplus carry-over and/or transfers exceed the limits of the Secretary General's authority, then a Council Working Paper is presented to the Council for approval, with more detailed information. The use of carry-overs, even those under the authority of the Secretary General, is reported to the Assembly as required under the Financial Regulations.
130. The carry-over of savings from 2014 to 2015 amounted to 7.55 MCAD; the carry-over of savings from 2015 to 2016 was 6.65 MCAD; and the amount of savings carried over to 2017 is 9.09 MCAD.

Suggestion n. 7

131. In light of the unrestricted flexibility in the usage of savings, albeit within the limit of 10 percent of the budget, we suggest that the Secretary General should consider the possibility of systematically informing the Council about the amount of savings that are reallocated to old activities and those that are for new priorities.

Proposal and comments by the Secretary General

Starting from the 2017 year-end, Council working papers on the carry-over of appropriations, regardless on whether the 10% limitation has been exceeded or not, the Secretariat will provide the total amounts to be carried-over for the following; a) outstanding commitments; b) deferred activities within the same triennium; c) deferred activities for the following triennium; and d) mission-critical and/or mandatory in nature.

The Ancillary Revenue Generating Funds (ARGF)

132. Under "Part IV: Tables" of the Financial Statements, Management reports to the Council on the transactions for each segment during the financial period, and the balances held at the end of the period. The ICAO classifies all projects,

- operations and fund activities in terms of two segments: i) Regular activities and ii) Technical Co-operation Project activities.
133. As stated in “Part III, Note 1 on Accounting Policies” a segment is “a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity’s past performance in achieving its objectives and for making decisions about the future allocation of resources”.
134. Financial Statements by segment, as reported under “Part IV: Tables” are “unaudited”; this includes the Segment related to the ARGF. However, transfers between the Regular Programme and the ARGF may have an impact on the Statement V. It is against this background that we address the issue (see paragraph 124).
135. An audit report, drafted by EAO in 2016, raised a number of issues and made several recommendations with regard to the ARGF.
136. One of these recommendations called for greater consistency, from one year to the next, in the accounting system for salary costs relating to posts budgeted under the ARGF, but whose incumbents carried out work for the regular programme. Funding these posts out of the ARGF budget, when the work was carried out for the regular programme, represented an additional contribution from the ARGF to the regular programme, on top of the established annual contribution.
137. However, EAO found that, in 2015, these costs had been charged to the regular programme, instead of to the ARGF – thus influencing the result of the ARGF – as had been the case in previous years, and recommended that they should be accounted for consistently over time. This recommendation was not accepted by the Secretary General, on the grounds that the transfer to the regular programme in 2015 was a decision in the remit of Management, with a view to minimizing carry-overs in the regular programme. The transaction was clearly indicated in the Council Working Paper (C-WP/14470) that reported on the performance of the ARGF in 2015.
138. The Secretary General sought advice from the EAAC. The EAAC recognized that the Council had been informed, but concluded that “*the fact that similar costs are taken by a different cost centre or programme from one year to the next should be explained in the notes to the financial statements, when the related figures are reported*”, and that this “*could be done starting with next year’s financial statements*”.

139. Having examined the relevant documentation, we agree with the need for the Council to be provided with more detailed and immediate information. This however was not the case with regard to 2016, when the costs were again budgeted and charged to the ARGF.
140. We believe that the salary costs should be charged to those who benefit from the related work, and it represents an issue in terms of governance and reporting if the ARGF is used to fund posts where incumbents work on non-ARGF activities (this point was also, incidentally, raised by the EAAC).
141. The ARGF was established in 2008 to "record all revenues and expenditures relating to self-financing activities". However, looking in more detail at the range of activities undertaken by it, one finds that a complex system was set up for a number of core revenues, which mostly relate to a few publications (approximately 5 publications generate around 60% of the ARGF's revenues) and which are easily traceable and attributable to those who generated them. On the other hand, this creates internal invoicing requirements for interfund transactions, consolidation needs, and the segregation of the portion of overhead costs borne by the regular programme from the one borne by ARGF for such items as building rental. All these issues were addressed in the Internal auditor's draft audit report, which also raised questions in terms of reporting the results of distinct categories of revenue-generating products.

Suggestion n. 8

142. With a view to simplification, we suggest, for the next triennium, assessing the cost-benefit of attributing all the expenses and revenues directly to the regular programme, instead of maintaining the ARGF as a separate instrument for managing revenue-generating activities and contributing to the regular budget.

Proposal and comments by the Secretary General

This is a wider policy decision that needs to be taken by the Council and the Assembly. Putting market-dependent activities within the strict confines of the Regular Budget which is fixed by assembly resolution to a pre-determined number has serious limitations. We will examine the pros and cons of this proposal.

THE EVALUATION AND INTERNAL AUDIT OFFICE (EAO)

143. We acknowledge the cooperation received from the EAO's staff members, who are also tasked with providing logistical support to the External Auditor.

144. Suggestion n. 8, in our report on FS 2014, regarded *“the possibility of adding to the EAO staff a permanent IT auditor, who could perform also other kinds of audits, leaving the existing budget: a) to enhance the training program for the staff, and b) to occasionally hire external audit experts in technical matters, related to the core business activity of ICAO (the aviation sector), in order to cover risks in these technical areas”*. This suggestion still remained “in progress” last year, also bearing in mind that the comment of the former Secretary General was *“Accepted. The possibility of creating an additional post for an IT auditor will be considered as part of the budget setting process for the 2017 to 2019 triennium”*.
145. Looking at the EAO’s report on 2016 activities (C-WP/14577, presented to the 210th Council session), we noted that the planned internal audit of the “Systems Development Life Cycle” had been *“postponed due to lack of IT audit resources”*.
146. Furthermore, the EAO’s draft 2017 work programme, that was submitted by the Chief EAO to the External Auditor for comments on 19 October 2016 , did not include an IT audit, with the motivation that *“No IT audits will be carried out in 2017 due to an ongoing lack of resources in EAO. These are specialised audits which need to be undertaken by, and managed by, a trained IT auditor”*. However, in the final version of the document presented to the 209th Council session (C-WP/14528), EAO did include an audit on “Cybersecurity” in its 2017 work programme.
147. EAO referred that when the Secretary General received the draft 2017 work programme, she asked that the sentence above be deleted and an IT audit be inserted, considering that the consulting allotment attributed to EAO in 2017 should be enough, or if necessary could be increased, to pay for an external consultant. In spite of his reservations due to the lack of resources (both professional and economic), Chief EAO agreed to delete this sentence and insert an IT audit, proposing “Cybersecurity”, as this topic was very high in EAO’s risk assessment. It has to be noted that this proposal came before the ICAO system was hacked.
148. Because of the lack of resources and of specialist expertise in EAO to carry out IT audits, the Chairman of the EAAC, using the opportunity shown in paragraph 2.5.3 of EAAC Annual report for 2015/2016 (*“EAAC members agreed to suggest potential performance audit topics to the external auditors, without prejudice to their right to independence. Topics could also be selected from the top ten risks identified as a result of the risk management workshop”* – C-

WP/14527, presented to the 209th Council session), asked the External Auditor to carry out an IT audit on the proposed topic (cybersecurity) instead of one of the two annual performance audits requested by the Council when the Corte dei conti's mandate was renewed.

149. The President of the Chamber for International Affairs agreed to carry out a "preliminary analysis" on this issue, instead of a performance audit, partly in view of both the economic and technical requirements of a complete IT audit, which are not comparable with the resources normally required by an ordinary performance audit.
150. We consented to the EAAC's request; however, although we recognise that the IT environment presents potential inherent and control risks, we recall that the function of the External Auditor differs from that of the internal auditor. Therefore our potential audit might not cover what has been considered by EAO in its risk analysis and presented in its 2017 Work Programme.
151. In addition to IT audits, EAO should also cover the risks linked to technical aspects and, for this purpose should be able to hire external technical experts. Lack of economic resources in EAO's budget is also affecting this possibility.
152. Going in the same direction as our suggestion and opinion, the EAO charter has recently been amended (document C-WP/14526 of 25/10/2016, presented to the 209th Council Session), to provide for an enhancement of the role of the EAO in various sectors.
153. Furthermore, last October, the 39th ICAO Assembly approved (res. A39/37) the budget of the Organization for the triennium 2017/2019 (doc. 10074); a small increase of 1.2% in EAO's budget has been considered, in particular for consultancy/outsourcing, although no new posts are envisaged for IT auditors.
154. All this considered, we believe that our previous suggestion needs to be strengthened; for this reason, we close the Suggestion n. 8/2014 as "not implemented" and issue the same topic as a recommendation.

Recommendation n. 16

155. Since the EAO should be able to carry out audits in all the risk areas of the Organization, we recommend that, for the next triennium, the EAO should be provided with the necessary resources; for example, the current EAO staff could be supplemented with a permanent IT auditor (who could also perform other kinds of audits), without reducing the existing budget for external consultancies. This would allow the EAO to use its resources to enhance its staff training program, and to occasionally hire external audit experts in technical matters, related to the ICAO's core business activity (the aviation sector), in order to cover risks in these technical areas.

Proposal and comments by the Secretary General

Instead of having a permanent resource for IT-related audits, we are committed to providing additional resources to EAO to outsource such audits as needed. Outsourcing has the additional benefit that the expertise used for IT-related audits will be specific to the problem, be current and up-to-date. The solution is also scalable.

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

156. Before looking at the follow-up to previous recommendations and suggestions, we should point out that in the responses provided by Management concerning the implementation status of the EA's recommendations, Management considers recommendations as "closed", without having agreed this with the External Auditor and before they have been implemented. This circumstance was highlighted, in the past, also by the Cour des comptes, in recommendation n. 29 of its report on the FS for the year 2012.
157. Although having closed this recommendation, we agree with our predecessors that only the auditor who issued a recommendation can decide if it has been implemented. Management explained that, if the implementation of a recommendation no longer falls within its remit, they consider it as closed, as they cannot take any other action.
158. We understand Management's view on this; however, we stress that, in such circumstances, we would not close a recommendation and would consider the possibility of issuing a new recommendation, relating to the parts of the

previous one that have not been implemented, as well as bringing it to the Council's attention, if it falls within its remit.

159. Furthermore, as stated in paragraphs 84 et seq., we also found, during our audit, that some of the EAO's recommendations considered as "closed" by Management had, in our opinion, not been implemented.

Recommendation n. 17

160. We therefore recommend that EAO regularly carry out a follow-up exercise for all its recommendations, in order to assess their actual implementation.

Proposal and comments by the Secretary General

We agree that it is important to carry out follow-up audits to assess whether agreed recommendations have been implemented. However this has resource implications for EAO.

161. With this premise, we followed up the implementation of the recommendations and suggestions issued in our previous reports. Annexes 1 and 2 show the follow-up tables, which includes the comments received from ICAO Management and the current status of implementation.

162. Furthermore, we reviewed all the audit recommendations issued by our predecessors, with the comments received from ICAO Management at the time of the delivery of their Reports, and updates as at 31.12.2016. The current status of their implementation is illustrated in Annex 3.

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

ANNEX 1 – Follow-up to the recommendations issued in our previous reports

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec. 1/2015	<p>We recommend that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.</p>	<p>The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks respond to our request.</p>	<p>The recommendation is implemented. Every time a letter is sent out changing signatures, a confirmation form to be completed by the bank is attached.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing</p> <p>Although we acknowledge the efforts of Management, the confirmation letters received from banks showed also this year that signature powers had not been updated</p>
Rec. 2/2015	<p>In consideration of the above-mentioned issues, we recommend that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.</p>	<p>The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.</p>	<p>Management reached out to the Legal Affairs and External Relations Bureau for an opinion on how to better regulate the ECAC/EUR-NAT operational banking activities. It appears that the most efficient solution in the short term is to explore if ECAC's governing council can adopt a resolution under which ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 3/2015</p>	<p>Considering the increasing amount of outstanding contributions and the growing number of States affected, including those with short arrears, <u>we recommend</u> that Management should: i) monitor the effectiveness of the targeted instruments that have recently been introduced with a view to increasing the timeliness of payments; ii) endeavour to develop additional tools to enhance the still too limited impact of the agreements, by ensuring the correct implementation of the existing agreements and promoting their extension to other States.</p>	<p>The Recommendation is accepted. Management is committed to undertaking the following steps:</p> <ol style="list-style-type: none"> 1. Issue monthly Statements of account by e-mail, to all States with outstanding contributions. 2. Invoices with the assessments due for the current year and outstanding arrears will be sent to all States at the beginning of the year. 3. Additional invoices will be provided to States upon request. 4. State Letters will be issued three times a year. 5. Status of Accounts Receivable will continue to be posted on Council website. 6. Management will consider developing additional tools to increase the number of States with Agreements and States' compliance with the terms of their Agreements. 	<p>Step 1 was completed effective in 2016 and will be repeated in going forward; monthly statements are issued by email to all states with assessments outstanding, current year and arrears. Step 2 was completed in the first quarter of 2016 and will be repeated in the same time frame after the closure of accounts in 2017. Step 3 is done throughout the period upon request. Steps 4 and 5 are implemented. Step 6: Individual follow-up is done on regular basis with States with arrears/agreements including participation from the Regional Offices with particular emphasis with States with large outstanding arrears at the beginning of an Assembly year.</p> <p>(Management considers this recommendation as closed)</p>	<p>Closed</p>
<p>Rec. 4/2015</p>	<p>In relation to Publications and the Commissariat, in order to ensure (i) the accuracy of the inventory value recorded in the Financial Statements, and (ii) the correctness of the movement of items in the inventory, <u>we recommend</u> that a detailed procedure be established and implemented. Also, as stated last year in our Suggestion n. 1(2014), attention should be given, through subsequent inventory verification exercises, to fair</p>	<p>The Recommendation is accepted. New procedures were established to verify and confirm inventories in 2016. In the Commissariat, these procedures will be further strengthened through the implementation of an automated system that continuously monitors inventory; the system will be in place prior to the end of 2016. Automated work flows for Publication inventories will be in place</p>	<p>New procedures were established to verify and confirm Commissariat inventories in 2016. A Commissariat Manager position was established to manage all elements of the Commissariat including inventory. In addition, an independent inventory control clerk verifies the delivery of product and reconciles packing slips from suppliers. A Financial Associate independently ensures that inventory is correctly entered into the Commissariat point-of-sale (POS) system, ensures monthly reconciliation of sales and undertakes</p>	<p>Ongoing</p> <p>Based on our testing, while we acknowledge the efforts made by Management, we noted that some weaknesses remained in the process of recording and reconciling the movement of products (please refer to paragraph 23).</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	value of items, in particular items to be written-off.	before the end of 2017.	<p>spot checks of inventory records, customer accounts and pricing to ensure the accuracy of the POS system. These changes in procedure were incorporated into the Administrative Instructions and a Human Resource Plan which were reviewed and adopted by the Board of Management in April 2016.</p> <p>For the Publications inventory, a standard procedure is in place for conducting the inventory count each year. This includes suspending sales on the e-store, using multiple independent teams to count publications separately and cross verify data, reconciliation with the automated online system (Alcie) and Agresso, etc. In addition, a separate independent inventory exercise was conducted for publications on the second floor. On valuing publications, the standard used is price per page which is based on detailed costs of printing publications; this practise has been used and endorsed by the Organization virtually since its inception and is reflected in the Publications Regulations.</p> <p>(Management considers this recommendation as closed)</p>	<p>With regard to the publications' inventory, we also note that, as last year, the warehouse is still under relocation outside ICAO premises and we will follow-up this issue during our future audits.</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 5/2015</p>	<p>Following the comments under points a), b) and c) above, we took note of the initiatives currently undertaken by Management and of the new Administrative Instructions approved in December 2015, and we will look at the issue in a future audit. However, considering that some assets have not been recorded at EUR/NAT and also referring to the recommendations issued in specific reports by EAO and by our predecessors, who reported that this also happened in other ROs, <u>we recommend</u> that all the assets, in particular the ones not previously entered, be recorded in the IMS, regardless of their value.</p>	<p>The Recommendation is accepted. All assets above CAD 300 should be incorporated in the IMS. EUR/NAT will take the necessary action to record all missing assets.</p> <p>Under the approved AI for PPE, it is the responsibility of each RO to assess, record and enter the asset data for the RO into the IMS. As per the approved AI, ADB has provided all ROs with the required scanning machines and training, to allow the RO to input asset data to the IMS.</p>	<p>Following the visit of the External Auditors in December 2015 and their findings, plus the training, software and equipment received from the HQ at the end of 2015, we have proceeded with the inventory as per HQ rules. The inventory (GSU and ICT) was finalised mid June 2016 and includes the items with the value of CAD300 and above. We have already informed the External Auditors and the HQ Inventory Management that the work has been completed and the full inventory will be sent, at the end of the year (2016), as part of the regular end of the year activities.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing.</p> <p>Please refer to paragraph 31 and followings</p>
<p>Rec. 6/2015</p>	<p>ICAO policy on asset management, covering both HQ and the ROs, merits further implementation, and data should not be limited to disposed-of assets; therefore, <u>we recommend</u> that the procedures state more clearly that track should be kept of disposed-of assets, making such information available to HQ and the ROs, and that an indication be given of which are the items that are actively used or not.</p>	<p>The Recommendation is accepted. HQ and RO should keep track of all assets that has been disposed of.</p> <p>This has been completed at HQ. All ROs have been advised to keep all records of write-offs and disposed assets.</p>	<p>As per C-WP/14477, this recommendation has been completed at HQ. All Regional Offices have been advised to keep all records of write-offs and disposed assets as well.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing.</p> <p>Please refer to paragraph 52 and followings</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 7/2015</p>	<p>Although we consider the share of liabilities related to the UNESCO Medical Plan not to be material, we note that there is a difference between AON's calculation of actuarial liabilities and the one that should be made including also the population covered by the UNESCO MBP, in relation to the monthly rate that ICAO pays for them. Therefore, in order to provide a fair representation of the actuarial liabilities, we recommend that, starting from next year, AON should also include the UNESCO Medical Plan population in the calculation related to IPSAS 25.</p>	<p>The Recommendation is accepted. All staff and retirees under the UNESCO Medical Plan will be accounted for as if they are under ICAO MBP and will be evaluated by AON and included in the actuarial liabilities of ICAO.</p>	<p>For the 2016 actuarial valuation, instructions have been given to AON to consider all staff and retirees under the UNESCO Medical Plan as if they were under ICAO MBP.</p> <p>(Management considers this recommendation as closed)</p>	<p>Closed</p>
<p>Rec. 8/2015</p>	<p>We recommend that ICAO should evaluate whether the function of the payment of salaries can be centralized in order to include TCB field General Services and National Officers and non-TCB consultants and, if necessary, reconfigure HQ Payroll's resources accordingly.</p>	<p>The Recommendation is accepted. An evaluation will be done to determine whether the payment of remuneration for these two categories of staff – (a) TCB field General Services and National Officers (b) non-TCB consultants – should be centralized in the HQ Payroll Office.</p>	<p>FIN has examined the issue in collaboration with TCB. There is a real problem in centralizing the payroll because Payroll Section would have to be augmented with additional resources. However, TCB Field staff is transient, and Payroll Section cannot be staffed with resources that can vary by volume. Neither can centralized cost be charged to the projects as a direct expense. Under the present operating model, the Project hires dedicated, and temporary, staff for this purpose, the cost of which is absorbed by the project. However, the Payroll Section offers help to TCB in training staff, making computations, and filing pension returns with UNJSPF.</p> <p>(Management considers this recommendation as</p>	<p>Ongoing</p> <p>Please refer to paragraph 112</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 1</p> <p>Report on Audit of ASHI</p>	<p>We recommend to Management to consider a modulation of the incidence of the cost of the ASHI scheme, following the solidarity principle, according to the level of gross salary/pension earned, given that in the current ASHI scheme, "premium" is not proportional to the size of the salary/pension.</p>	<p>Management will develop a scenario where the retiree's share of the related premiums for medical benefits is proportional to their pension.</p>	<p>closed)</p> <p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing.</p> <p>Please refer to paragraph 65 and followings</p>
<p>Rec. 2</p> <p>Report on Audit of ASHI</p>	<p>We recommend to Management to consider also a threshold to the ICAO contribution to the ASHI scheme levelled on granting similar benefit of a reference State (for example RAMQ) but limited, in terms of risk, to the country where the pensioner is resident.</p>	<p>Management will consider a proposal where the excess cost of the premium attributable to worldwide coverage compared to national coverage is borne by the retirees. Where no national coverage exists, a premium similar to the one in Head Quarter (Class 2) will be used as reference.</p>	<p>The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) an (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. C-DEC 208/11 paragraphs 30-34 refer.</p>	<p>Ongoing.</p> <p>Please refer to paragraph 65 and followings</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 3</p> <p>Report on Audit of ASHI</p>	<p>After having re-modulated the ASHI scheme following the previous recommendations, we recommend that Management study a targeted opt-out incentive, assessing at the same time its cost-benefit against the ASHI "premium" paid by ICAO, evaluating also any possible negative impact on the ASHI scheme, when retirees decide to opt-out.</p>	<p>Once the previous modifications are implemented, Management will study targeted opt-out incentives.</p>	<p>(Management considers this recommendation as closed)</p> <p>The previous recommendations regarding the reduction in the ASHI benefits had been met with strong opposition from the ICAO staff Association and retirees representatives (CAFICS) as it impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that would remain unchanged in the future. This was presented to the Council which endorsed it. The opt-out option as the most impactful option studied by the actuaries was presented by FIN to the Life and Health Insurance Committee which includes members of Staff Association and CAFICS to explain the benefits/drawbacks of the opt-out option in order to initiate discussion and consultation with staff and retirees at large. We also assisted Human Resources (HR) in developing a monkey survey on the opt-out option to survey staff and retirees on the possibility to accept or not this offer. HR is advocating a discussion with Health Committee and other sister UN agencies before this is rolled out.</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 1</p> <p>Report on Audit of ROs KPIs</p>	<p>We recommend that Management consider to define a specific internal procedure (i) where internal and external risks are gathered also from ROs, and (ii) where achievable, time-bound and measurable specific objectives are agreed between HQ and RO, (iii) defining how and who should set objectives and who independently should monitor them through robust and credible KPIs.</p>	<p>Agree. In an effort to strengthen the coordination with the ROs, the Secretary General has tasked an existing staff member with RO coordination duties. (i) SG will ask ROs to provide internal and external risks, (ii) objectives have been identified for the ROs in the Business Plan 2017 – 2019, (iii) OSG monitors the KPIs.</p>	<p>(i) ROs have identified internal and external risks for 2017 in the C-WP/14570 Annual Report to Council on Regional Offices' activities during 2016 and Operating Plans for 2017, which is being presented to Council during the 210th Session. (ii) RO objectives are identified for the triennium in the Business Plan 2017 - 2019 and for 2017 in the Operating Plan for 2017, both of which shall be uploaded into the Corporate Performance Management Framework Tool (CPMFT) by the 211th Session of Council. (iii) RO KPIs (which are identified in the aforementioned Business Plan 2017 - 2019 and Operating Plan 2017) will be monitored regularly in the CPMFT starting from June 2017.</p> <p>(Management considers this recommendation as closed)</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 2</p> <p>Report on Audit of ROs KPIs</p>	<p>After having implemented an internal procedure on the basis of the previous recommendation, considering that the Business Plan presented to Council has a three-year reference period and aims to provide information on the achievement of the Strategic Objectives, we recommend that Management inform periodically the Council on the on-going progress through an Activity/Progress Report which might disclose (i) the actual expenditures versus the budgeted ones, (ii) the deployment of staff according to objectives and (iii) the monitoring of KPIs.</p>	<p>Agree. Regular reporting, including financial figures, staff counts and performance are shared with the Council.</p>	<p>The Corporate Performance Management Framework Tool (CPMFT), a web-based system, underpinning the Business Plan, is being developed by the Secretariat to manage all operating plans and report on their progress and expected results. The CPMFT shall contain all relevant information pertaining to organization-wide performance, reporting and risk, and shall include in its first iteration the following components: Corporate KPIs; Key Outcomes and their respective Key KPIs (attributable to Strategic Objectives and Supporting Strategies); Deliverables, KPIs and Targets (attributable to Project/Key Activity level); Corporate Risks; and status of C-DEC and Assembly Resolutions. The CPMFT will be launched during the 211th Session of Council.</p>	<p>Ongoing</p>
<p>Rec. 1/2014</p>	<p>Considering that the backlog in the appeal process at the AJAB raises the consideration as above stated, we recommend Management to start an internal review of the current procedures and resource capacities, in full respect of the Staff rules.</p>	<p>The recommendation is accepted.</p>	<p>Responsibility for this item is shared between ADB and LEB; this ought to be properly reflected in Symbiant. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without hearing on the</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. Work on this matter is ongoing.</p> <p>Update as of end February 2017:</p> <p>Responsibility for this item is shared between ADB and LEB. The internal management working group held to date two meetings. It unanimously assessed current capacity constraints as a structural problem and identified the need, in addition to procedural measures, strengthen resource capacities to fortify functions pertaining to the AJAB. The group considered a number of options, including but not limited to, the expansion of the existing membership pool of the AJAB from 6 to 9 persons, more vigorous application of Staff Rule 111.1.9, potentially involving the usage/compliance with pre-set submission forms and early stage determination of receivability, and the possibility of appeals without hearing on the basis of written submissions only in cases when facts are not in dispute and/or consent of the parties has been obtained. A formulation of proposed procedural enhancements and required resource allocations is being prepared and will be submitted to stakeholders for consideration shortly, with a view to an amendment of the Staff Rules.</p>	

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 2/2014</p>	<p>As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.</p>	<p>Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.</p>	<p>FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.</p>	<p>Partially implemented</p> <p>Management is providing relevant information to Council but further analysis is still needed (please see our special report "Has Management developed effective actions to reduce ASHI actuarial liabilities?")</p>
<p>Rec. 3/2014</p>	<p>We <u>recommend</u> Management to be assisted by a full actuarial review study, to evaluate when the ICAO financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance scheme. The full actuarial study should be made available to Council before the starting of the new budget approval exercise</p>	<p>Accepted. We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO.</p>	<p>We will seek an actuarial study on the impact of ASHI on the long-term health of ICAO.</p>	<p>Partially implemented</p> <p>Management has presented a full actuarial study with certain assumptions to Council.</p> <p>Some solutions are still under consideration and then when agreed an evaluation would be needed on when financial health might be compromised (please see our special report "Has Management developed effective actions to reduce ASHI actuarial liabilities?").</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 4/2014</p>	<p>We recommend revising the conditions of Cigna's contract (formerly Vanbreda) in order to audit their performance.</p>	<p>Accepted. We will incorporate provisions in future contracts that will enable us to audit the payments made by the plan administrator.</p>	<p>We will incorporate provisions in Future contracts that will enable us to audit the payments made by the plan administrator. In addition, a request to amend the existing agreement between ICAO-Cigna was presented to Cigna who agreed in principle to amend the agreement. The Proposed revised agreement is under discussion between Cigna and ICAO legal teams.</p> <p>Update as of end February 2017:</p> <p>Cigna contract is only due for renewal in 2017. Change recommended by external auditor will be incorporated at time of contract renewal.</p> <p>The amendment to the existing contract between ICAO and CIGNA along with the contract extension is expected to be completed by the target date of 31 March 2017. The new contract is currently being finalised by Procurement following discussions with CIGNA on this matter.</p>	<p>Ongoing</p>

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 5/2014</p>	<p>We recommend to start an internal comprehensive review process to identify:</p> <ul style="list-style-type: none"> a) which differences can be regarded as justified in relation to a substantial disparity in needs and circumstances and, b) which differences require further harmonization, including through a change in the legal framework 	<p>Accepted. An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified.</p>	<p>Work on the harmonization of TCB Field Staff Rules and ICAO Secretariat Staff Rules has been initiated by TCB and ADB and is ongoing.</p> <p>Update as of end February 2017:</p> <p>An internal review with subject area experts to review the provisions in the Staff Rules and the Field Service Staff Rules respectively could be conducted. The task would be to make recommendations in respect to the harmonization of the approach where possible and highlight the needs for different treatment where justified. Due to exigency of work and shortage of HR in TCB a consultant will be hired within the first quarter of 2017 to conduct the reviews and make recommendations for adoption. Target conclusion date is 31 July 2017. Essential to advance in this process is the participation of HR from ADB, so the tentative date for completion (July 2017) is subject to HR availability to participate as counterpart.</p>	<p>Ongoing</p>

ANNEX 2 – Follow-up to the suggestions issued in our previous reports

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 Report on Audit of ASHI	When a decision is taken by the Council on possible corrective measures, <u>we then suggest</u> to Management to assess if the combined effect of all the measures decided by the Council would be sufficient to prevent any negative impact on the ICAO budget, as regards the funding of the core activities in the medium-long term.	Management will assess if the combined effect of all measures approved by the Council will be sufficient to prevent negative impact on the Budget and on the funding of the core activities.	Ongoing
Sugg. 1 Report on Audit of ROs KPIs	When the framework is enhanced through the implementation of our recommendations above, <u>we then suggest</u> to Management to timely evaluate if the performance of the HQ and ROs can be assessed and to consequently measure if objectives have been effectively achieved.	Agree. Performance evaluation and measurement will take place for all Bureaus and ROs of the Organization.	Ongoing
Sugg. 1/2014	In order to increase the accuracy of items recorded as inventory in the Financial Statements, we suggest that in the next inventory verification exercise, attention be accorded to fair value of items, in particular to those inventory items that should be written-off.	Accepted	Ongoing Refer to recommendation 4/2015

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 2/2014	We suggest Management to present to the Secretary General, in the context of the preparation of the year-end financial statements, an internal document containing i) statistics on existing litigations at AJAB and UNAT ii) to the extent possible, a more granular computation of the actual amounts claimed to assess whether the situation will impact the financial statements.	The suggestion is accepted	Ongoing
Sugg. 4/2014	We suggest Management, as remedial measures are needed, to define comprehensively a set of drivers and sub-drivers in advance, in order to identify which of them are more suitable for reducing the underfunding in the long term.	Accepted. Management will identify the variables that influence the funding of ASHI.	Ongoing Please refer to paragraphs 65 and followings
Sugg. 5/2014	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 8/2014	<p>Because the IT area has been identified as a major risk, we suggest to examine the possibility of adding to the EAO staff a permanent IT auditor, who could perform also other kinds of audits, leaving the existing budget: a) to enhance the training program for the staff, and b) to occasionally hire external audit experts in technical matters, related to the core business activity of ICAO (the aviation sector), in order to cover risks in these technical areas.</p>	<p>Accepted. The possibility of creating an additional post for an IT auditor will be considered as part of the budget setting process for the 2017 to 2019 triennium.</p>	<p>Closed Please refer to Recommendation n. 16</p>

ANNEX 3 – Follow-up to the recommendations issued by the French Cour des Comptes in their reports

Report	Recommendation raised by the Cour des Comptes	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
<p>Rec. 15</p> <p>Report for 2012 by the Cour des Comptes</p>	<p>Within the limits set out for support services in the next triennial budget, the Organization should consider granting ICT enough posts to ensure a satisfactory control of the main IT applications, including by reallocation from other sections.</p>	<p>Accepted. The Secretariat supports this recommendation. Options to grant ICT enough posts to perform its tasks will be identified within the available budget.</p>	<p>In progress</p> <p>ICT is underway converting existing key functions handled by consultants to two G7 and two P3 temp posts.</p> <p>Update as of end February 2017:</p> <p>Two G7 positions and two P3 positions were created and filled in ICT.</p> <p>(Management considers this recommendation as closed)</p>	<p>Closed</p>
<p>Rec. 14</p> <p>Report for fy 2013 by the Cour des Comptes</p>	<p>An inventory was drawn up in the presence of all parties concerned in July 2012, further to which a letter was sent to the Director General of ADS. The Council could request the Secretariat to use this joint report in order to put the matter clearly and directly to the higher authorities of the host country.</p> <p>The external auditor has been told that the State, through ANACIM and ADS, has taken the responsibility and repair works are on-going (according to ICAO, in April 2014, about 75% were completed, and remainder -terrace, access road- were targeted for</p>	<p>This recommendation has thus been partially accepted by the Secretary General with a target date of 1st quarter 2014.</p>	<p>The works on the terrace and the access road were completed in May 2014; works are currently on-going for construction of an external parking on the land adjacent to the office (this followed formal requests to the Government by both ICAO Secretary General and Council President during visits to the State in the course of 2014). These latter works are 60% complete (parking area paved and 25 % of fencing done) and should be finished by the end of the first quarter of 2015.</p> <p>Update on 28 September 2016:</p> <p>The level of progress on the outstanding item has</p>	<p>We will follow up this issue during our future audits</p>

Report	Recommendation raised by the Cour des Comptes	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
	May 20th 2014).		<p>evolved very little in the past 18 months (since the last reporting date). All efforts by the Regional office for action on the part of the responsible Agency of the State to complete the works on the land adjacent to the Office premises failed to yield any results. It is therefore recommended that the item be closed.</p> <p>(Management considers this recommendation as closed)</p>	
<p>Rec. 17</p> <p>Report on Audit of TCB by the Cour des Comptes</p>	<p>We recommend fully and quickly implementing all of the Agresso modules, especially those relating to budget aspects.</p>	<p>The implementation schedule for Agresso modules rests with the IRIS project. The Agresso Budget Planner module is undergoing final acceptance testing by both FIN and TCB with final implementation scheduled before the end of the first quarter of 2010.</p>	<p>The post implementation review was conducted by the IRIS consultant along with the BSU and FOS team during the week of 16-20 September 2013. Requirements have been identified and reporting issues are to be addressed by the IRIS team. The upgrade to the module with added and improved functionalities was expected to be implemented in April 2014. Due to shortage in staffing, the IRIS team was unable to meet TCB's automation and reporting requirements. A consultant has been contracted to assist IRIS in addressing all outstanding requirements on a full time basis. The consultant provided the necessary tool to facilitate upload of data into the module however further analysis identified a number of issues that, in the view of the Business Support Section (BSS) of TCB, required decision at Bureau</p>	<p>Closed</p>

Report	Recommendation raised by the Cour des Comptes	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>level. In this regard, BSS facilitated a meeting on 9-Sep-15 between FOS, FPS and IRIS to agree on all the outstanding issues. BSS consequently drafted a preliminary list of requirements on 23-Sep-15 for FOS to review and add to for submission to IRIS but no response has been received from FOS to date. The Agresso consultant has concluded her contract on 16-Oct-15 however the full list of completed deliverables is not available to BSS as her line of reporting was to FOS. During the exit meeting held the same day, it was determined that there are numerous unresolved issues at FOS' level and it was agreed that FOS would submit a detailed list of their requirements to IRIS (no deadline was established) in order for the module to move further. In the absence of the crucial facts mentioned above, BSS is not able to report any confirmed factual information on this issue, which would allow for assessing the status of development regarding the Budget Planner, nor an estimate of a possible new target date for completion of the work still required. As per D/TCB's decision, this recommendation has been re-assigned to C/FOS for action.</p> <p>Update as of end February 2017:</p> <p>The Planner Module in AGRESSO has been</p>	

Report	Recommendation raised by the Cour des Comptes	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			<p>completed and implemented, according to TCB's requirements. The BSU staff in TCB have been trained.</p> <p>(Management considers this recommendation as closed)</p>	

