Doc 9890

FINANCIAL STATEMENTS

AND

REPORT OF THE EXTERNAL AUDITOR

FOR THE FINANCIAL PERIOD ENDING 31 DECEMBER 2006

DOCUMENTATION
for the 36th Session of the Assembly in 2007

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND

REPORT OF THE EXTERNAL AUDITOR

FOR THE YEAR ENDED 31 DECEMBER 2006

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2006

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART I: REPORT OF THE SECRETARY GENERAL, CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2006

1. The financial statements of the International Civil Aviation Organization for the year ended 31 December 2006 reflect the results of operations of ICAO and the financial performance of projects and activities managed by ICAO on behalf of third parties. The format and presentation of this report and the accompanying financial statements are consistent with the presentation adopted for the year 2005. The Funds reported in the financial statements have been grouped to distinguish between those used for ICAO's operational activities and those that are administered on behalf of third parties. Significant changes are planned in the future as the United Nations organizations move towards the adoption of the International Public Sector Accounting Standards (IPSAS). ICAO intends to implement IPSAS in 2008 onward.

2. The magnitude of ICAO's financial operations, in terms of expenditures incurred, is indicated below against each Fund or group of Funds, and a summary is provided in Figure 1. Summary information relating to income, expenditures, assets and liabilities on the main ICAO Funds and the combined total of all Funds are shown in Statements I and II. Statement IV presents appropriations and expenditure by major programmes for the Regular Programme General Fund. Statements III and V reflect the movement in cash flow and surplus for all Fund groups. The report also provides highlights of ICAO's financial activities in 2006. All amounts in this report, the financial statements and Notes to the financial statements are reported in thousands of United States dollars unless otherwise specified.

	Total Expenditure excluding administrative overhead (in thousands of United States dollars)	
	2006	2005
The expenditure relating to ICAO Funds comprises:		
1) Regular Programme Funds appropriated by the Assembly or by the Council;	63 118	60 458
2) Other Proprietary Funds, including Aviation Security Plan of Action, Special Accounts for revenue-generating and cost recovery activities, and other Funds/Special Accounts;	15 390	14 118
3) The Technical Cooperation Programme comprises:		
a) Trust Funds and Management Service Agreements Funds provided by various contributors for technical co-operation projects executed by ICAO;	96 331	63 565
b) Civil Aviation Purchasing Service Funds provided by various contributors for civil aviation purchases on their behalf;	2 802	7 141
c) United Nations Development Programme Funds, mainly contributed by governments to UNDP under cost-sharing arrangements; and	4 582	5 181
d) ICAO Objectives Implementation Mechanism; and	132	140
4) ICAO maintains funds for the activities managed or administered on behalf of third parties, including Joint Financing Agreements, International Registry Account , the International Financial Facility for Aviation Safety Fund and the Public Key Directory.	40 696 *	35 064
Total	223 051	185 667

* Excludes grants from IFFAS given to Trust Funds and Management Service Agreements included in paragraph 3 above.

3. A comparison of overall expenditure, in millions of United States dollars, for all ICAO activities during the last two years is provided in the figures below.

FIGURE 1: TOTAL EXPENDITURE - ALL FUND GROUPS

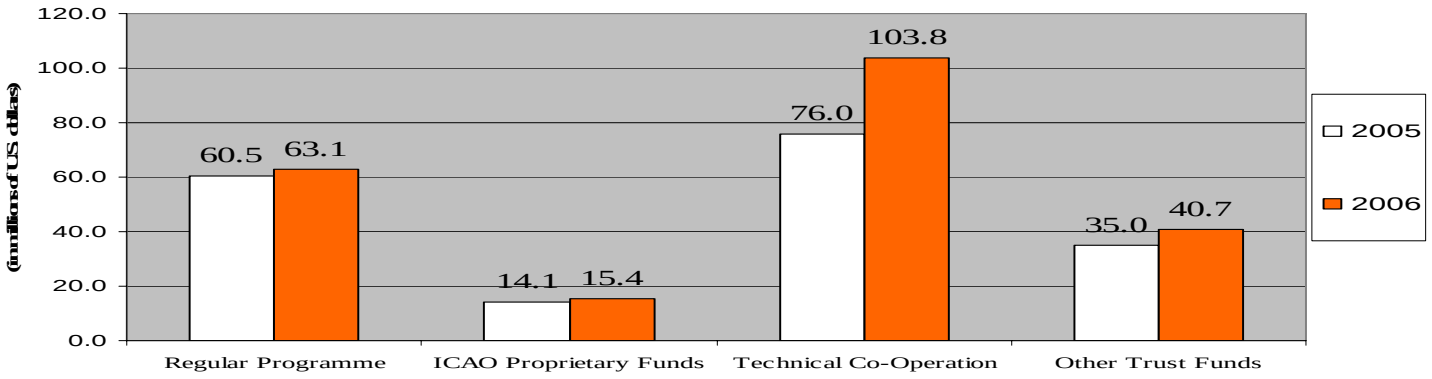


FIGURE 2: TECHNICAL CO-OPERATION PROGRAMME FUNDS

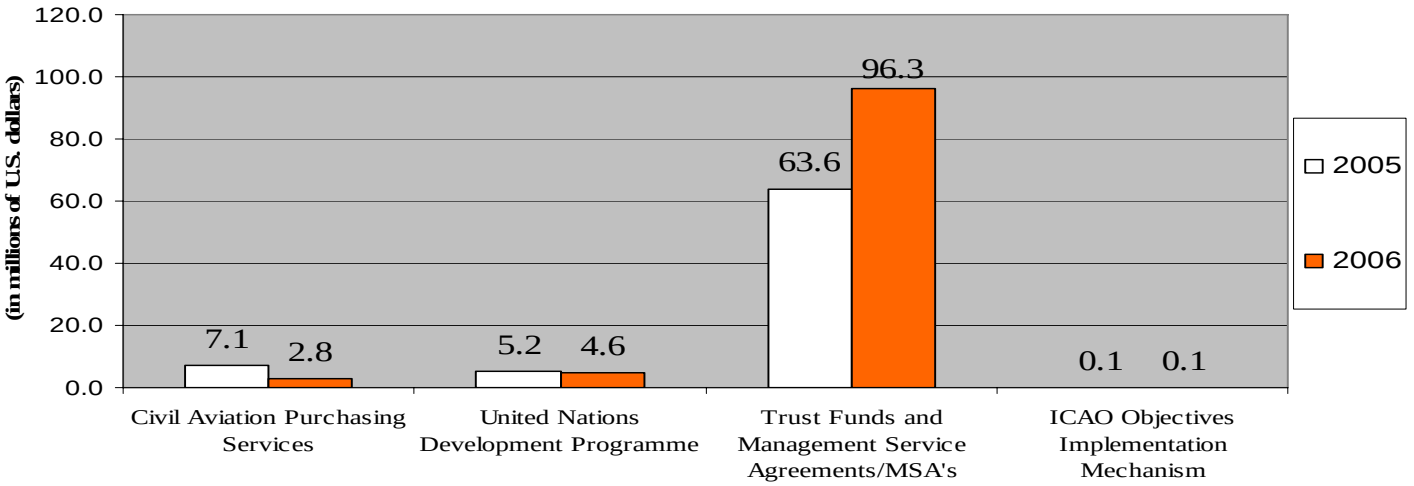
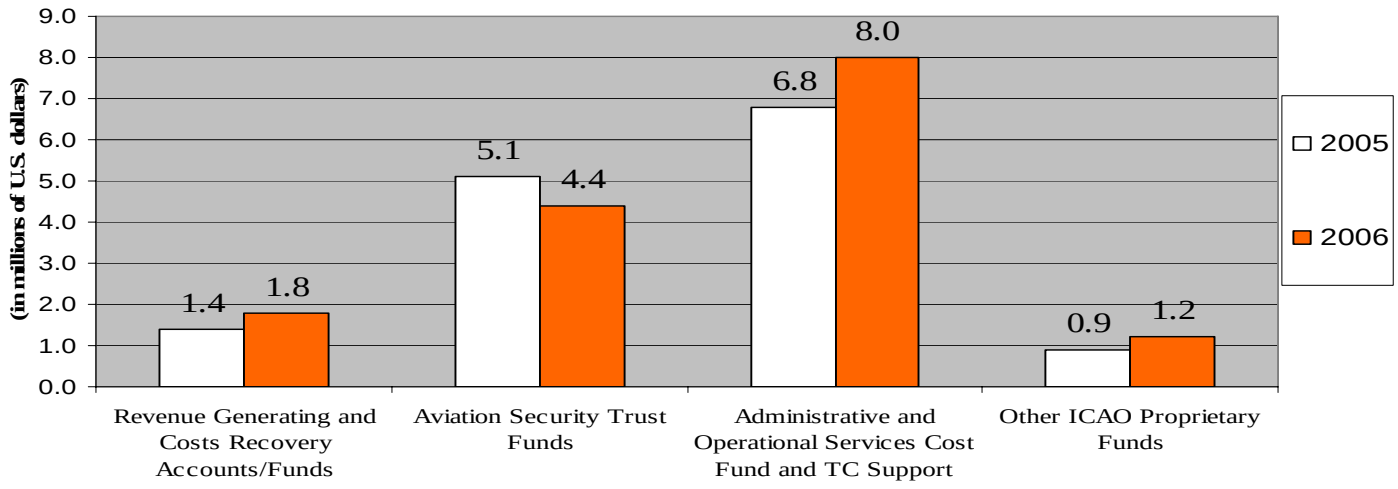


FIGURE 3: SUMMARY OF ICAO PROPRIETARY FUNDS



4. REGULAR PROGRAMME

4.1 Appropriations

4.1.1 The 35th Session of the Assembly in 2004, under Clause C of Resolution A35-22, voted appropriations in the amount of $ 65 820 for the year 2006. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Major Programme are given in Statement IV on page III-4. Actual expenditure is stated at the forward exchange rate of the forward contracts entered into for Canadian dollars and EUROs and at the United Nations operational rate of exchange for transactions in other currencies. The budgetary result for 2006, in thousands of dollars, is summarized as follows:

Original appropriations	$ 65 820
Carried over from 2005	6 400
Increase in appropriations	1 030
Carried over to 2007	(9 965)
Revised appropriations	63 285
Total expenditure	63 118
Unobligated balance of appropriations	$ 167

4.1.2 Carry over from 2005. Pursuant to Financial Regulation 5.6, the Council approved the carry over of unobligated appropriations amounting to $ 6 400 from financial year 2005 to financial year 2006 (C-DEC 176/14).

4.1.3 Increase in Appropriations. In 2005, in accordance with Financial Regulation 5.2 c), the Council approved additional appropriations of $ 1 460 for 2005-2006-2007 from 2004 excess miscellaneous income, that is, the surplus of actual 2004 income over estimated 2004 income approved by the Council (C-DEC 176/14). Of this amount approved, $ 460 is designated for the 2005 financial year, for various projects under Major Programme II: Air Navigation and Major Programme III: Air Transport. The remainder $ 1 000 was planned to be used in 2006 and 2007, for Major Programme III: Air Transport, to facilitate the integration of the Universal Security Audit Programme (USAP) into the Regular Programme, at the rate of $ 500 per year. In addition, the Council approved the transfer of $1 060 from the reserves of the AVSEC Plan of Action to the Regular Programme to fund the integration of some elements of the AVSEC Plan of Action into the Regular Programme Budget in 2006 and 2007 (C-DEC 176/8). Pursuant to Financial Regulations 5.2 a), half of this amount, i.e. $ 530, was added to Major Programme III: Air Transport for the year 2006.

4.1.4 In 2006, in compliance with Financial Regulation 5.10, the Council approved transfers of appropriations among major programmes, totalling $ 1 088 from Major Programmes: Air Navigation, Air Transport, Legal, and Administrative Support, to the following Major Programmes: General Policy - $ 143 and Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review - $ 945 (C-DEC 179/17).

4.1.5 Carry over to 2007. In compliance with Financial Regulation 5.6, the Council approved a carry-over of the appropriation from 2006 to 2007 (C-DEC 179/17). This totals $ 9 965 and stems from deferred Programme elements/activities. There is $ 1 814 for Major Programme VII: Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review, of which $1 693 is due to the deferral of activities for the new Enterprise Resource Planning project and the implementation of the International Public Sector Accounting Standards. There is $ 1 371 for the Major Programme VIII: Universal Safety Oversight Audit Programme resulting from the transfer of unobligated balances required for

the comprehensive systems approach for the conduct of safety oversight audits in the 2005-2007 triennium. Under Major Programme V: Regional and Other Programmes, the renovation of the Dakar Regional Office premises deferral to 2007 account for $ 449. Under Major Programme IV: Legal, funds amounting to $ 234 provided for certain meetings are carried over to 2007.

4.1.6 In 2006, some general operating expenditures such as those related to the acquisition of certain hardware, software and equipment were deferred as part of the overall effort to contain costs in order to finance payroll-related cost increases which were foreseen in the budget for the 2005-2007 triennium and had not materialized as of end of 2006. Lastly, an amount of $ 257 of the appropriations carried over relate to the excess of Miscellaneous Income projects approved in 2005 (C-DEC 176/14) which will be on-going until 2007.

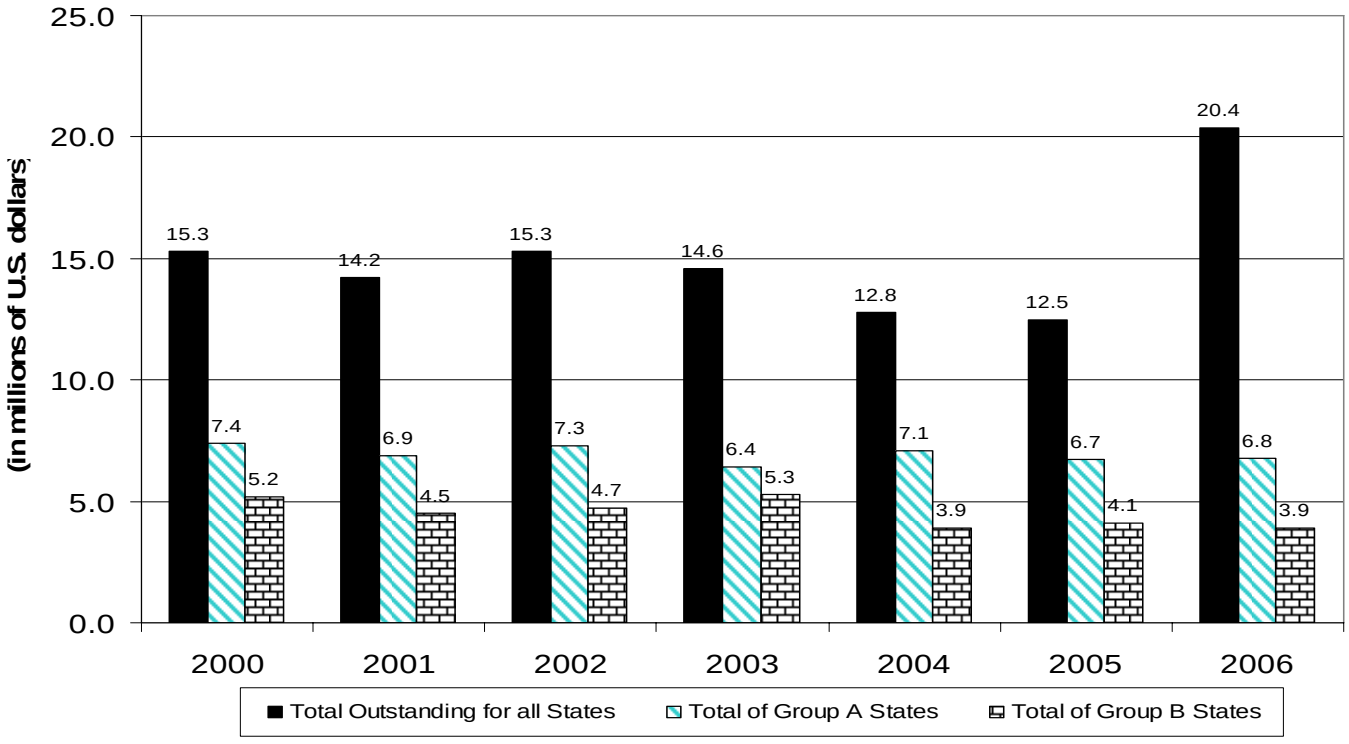
4.1.7 As a result of the increases and transfers outlined above, the final approved appropriation for the year amounted to $ 63 285.

4.2 **Income**

4.2.1 The appropriations for the year 2006 approved by the 35th Session of the Assembly were to be financed by assessments on Contracting States of $ 60 407 and miscellaneous income of $ 5 413 for a total of $ 65 820. The composition of actual income totalling $ 67 574 is presented in Statement I.

4.2.2 **Assessments.** During the year 2006 assessments totalling $ 50 944 were received and a balance of $ 9 499 remained outstanding at the year end against the current year's assessments. At the beginning of the year, $ 12 530 was receivable from States in respect of 2005 and prior years; payment of $ 1 627 was received, leaving a balance outstanding of $ 10 903. The assessments receivable for all years totalled $ 20 402 as at 31 December 2006. Details are provided in Schedule A. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 92 per cent. Figure 4 shows the status of the assessed contributions receivable at the end of each year since 2000.

FIGURE 4
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AS AT 31 DECEMBER



4.2.3 Of the total outstanding contributions of $ 20 402 as at 31 December 2006, $ 7 572 pertained to States represented on the Council.

	Number of States 2006	Amount outstanding as at 31 December 2006	Number of States 2005	Amount outstanding as at 31 December 2005
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	32	$ 6 824	34	$ 6 719
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	7	$ 3 879	8	$ 4 104
Group C: States with contributions in arrears for less than three full years	11	$ 738	10	$ 616
Group D: States with contributions outstanding only for the current year	23	$ 8 450	20	$ 580
Sub-total	73	$ 19 891	72	$ 12 019
The Former Socialist Federal Republic of Yugoslavia	-	$ 511	-	$ 511
Total Outstanding Contributions	73	$ 20 402	72	$ 12 530

4.2.4 As at 31 December 2006, 32 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 years arrears. The note on Schedule A indicates the States that had not complied with the terms of their agreements at 31 December 2006.

4.2.5 **Miscellaneous income** budgeted for the period amounted to $ 5 413 when compared to actual income of $ 7 131 and comprised the following:

(in thousands of United States dollars)

	Budget 2006	Actual 2006	Difference
Sales of Publications	3 800	4 228	428
Royalties from ICAO's Publications	500	507	7
Investment Income - Interest	320	828	508
Rental on Premises	575	673	98
Journal Advertisements	88	71	(17)
Other Income	130	824	694
Total	5 413	7 131	1 718

4.2.6 Major contributions received for the Regular Programme Fund and the Proprietary Funds for 2006 are summarized as follows:

(in thousands of United States dollars)

Contracting State	Regular Fund		Proprietary Funds			Total
	Assessment Received	Contributions In-Kind (Premises)	AVSEC	Contributions		
				Others	In-Kind	
Canada	1 504	12 493	226		91	14 314
Japan	8 735		721		4	9 460
United States of America	7 551		1 194	129	42	8 916
France	3 069	626	256	498	102	4 551
Germany	4 283				13	4 296
United Kingdom	3 383		178		16	3 577
Italy	2 157		189		4	2 350
Republic of Korea	1 456		310	136	5	1 907
Spain	1 250		114		5	1 369
Netherlands	1 130				9	1 139
Total	34 518	13 119	3 188	763	291	51 879

4.3 Expenditure at Budget Rate Compared to Budget

4.3.1 Annex D reports on the final approved appropriations compared to the expenditure. The expenditure in the Annex D differs from that reported in Statement of Appropriations, Statement IV, to the extent that transactions in Canadian dollars are reported in Annex D at the budget rate of exchange for the Canadian dollars of CAD$ 1.32 to US$ 1.00.

4.4 Meetings Expenditure

4.4.1 The approved budget for meetings in 2006 amounted to $ 724 and the actual expenditure on meetings in 2006, as shown in Annex E, amounted to $ 302.

4.5 Surplus

4.5.1 The total cumulative surplus, as at 31 December 2006, as reflected in Statement V, amounted to $ 17 414, as compared to $ 16 264 in 2005. This is comprised of assessments receivable from Contracting States of $ 20 402 and cash deficit of $ 2 988 as at 31 December 2006 (surplus of $ 3 734 as at 31 December 2005). An increase in the assessments receivable by $ 7 872 in 2006 compared to 2005 as presented in Statement III, contributed to the cash deficit position for 2006.

4.6 Cash Balances

4.6.1 The cash balance held in the General Fund as at 31 December 2006 amounted to $ 17 996 (including the balance in the Working Capital Fund) and is reflected in Statement II. The Council did not change the level of the Working Capital Fund during the triennium under the authority granted by the Assembly under Assembly Resolution A35-28.

4.7 Forward Purchase of Currency

4.7.1 ICAO's budget appropriations and the assessed contributions of Contracting States to finance the appropriations are approved in United States dollars, but a large proportion of expenditure is either incurred in, or impacted by, Canadian dollars and Euros. The budget and the assessed contributions for the 2005 to 2007 triennium were established at a rate of CAD$ 1.32 to US$ 1.00. In order to minimize risks and insulate the budget against the consequence of potential exchange rate fluctuations, Canadian dollars as well as EUROs, were forward purchased with the approval of the Council. The objective of stabilizing Canadian dollar-related expenditures and EURO expenditures to a level within the budget was achieved. Further details are provided in the Notes to the Financial Statements.

5. OTHER ICAO PROPRIETARY FUNDS

5.1 Administrative Operational Services Cost Fund (AOSC Fund)

5.1.1 The AOSC Fund is utilized to meet the costs of administration and operations of the Technical Cooperation Programme (TCP), and is primarily financed from administrative overhead charges on UNDP, CAPS, Trust Fund and MSA projects. The financial results for the AOSC Fund are reported in Schedule B.1 and the budgetary comparison is presented in the following table:

FIGURE 5
TABLE OF TECHNICAL CO-OPERATION ADMINISTRATIVE AND OPERATIONAL SERVICES COST OF APPROVED BUDGET, EXPENDITURE AND UNENCUMBERED BALANCE OF APPROVED BUDGET FOR 2006

	Submitted to the Assembly	Revised Budget 2006[2]	Expenditure/ Income 2006	Balance of Approved Budget
Appropriation/Expenditure Major Programme X	6 051[1]	8 045	8 069	(24)
Income	5 763	8 234	8 203	
Excess/(Deficit) of Income over Expenditure	(288)	189	134	

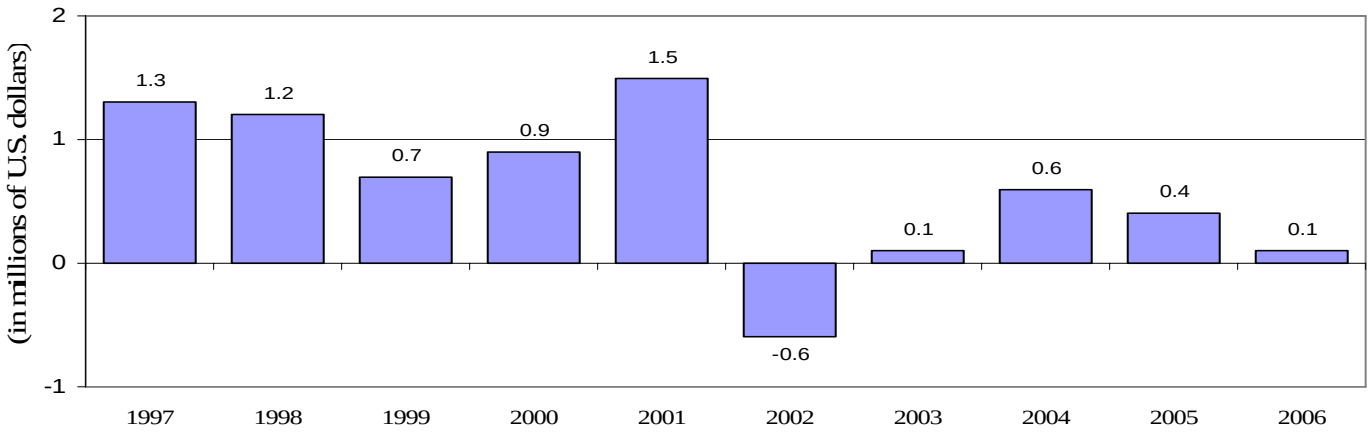
[1] Approved by the Assembly (A35-22)
[2] Noted by the Council at its 179th Session (C-DEC 179/13).

5.1.2 As indicated in Figure 5, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to $ 6 051 for the financial year 2006 and estimated income for the year of $ 5 763. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2006 Budget Estimates (expenditure) for 2006 in C-WP/12734. The revised estimated expenditures for 2006 amounted to $ 8 045 and the estimated income to $ 8 234.

5.1.3 Total expenditures for the Technical Co-operation Programme (TCP) in 2006 amounted to $ 103 847 compared with $ 76 027 in 2005. There was an increase in the recovery of overhead fees and support costs, which constitute the primary source of income for the AOSC Fund. During 2006 as in 2005, a significant portion of AOSC Fund revenue was earned on equipment implementation for which payments are made directly by governments to suppliers and which are therefore not reflected as expenditure in the Technical Cooperation Programme. The AOSC Fund income for 2006 was $ 8 203 representing an increase of $ 1 050 (15%) compared with 2005, and, therefore, higher than the indicative income budget presented to

the 35th Session of the Assembly by $ 2 440. The actual AOSC Fund expenditure, on the other hand, amounted to $ 8 069, compared to the indicative budget presented to the 35th Session of the Assembly of $ 6 051. Actual expenditures include non-budgeted gains on exchange of $ 717. The AOSC Fund fully recovered its costs for the year 2006 and earned net income of $ 134. Figure 6 reports on the trend in the annual surplus/(deficit) over the last ten years.

FIGURE 6
AOSC FUND SURPLUS AND SHORTFALL AS AT 31 DECEMBER**



** Note that the above amounts do not include the expenditure for improving the efficiency and effectiveness of TCB.

5.1.4 During the 35th Session of the Assembly, the Administrative Commission recommended that the question of sharing of costs between the Regular Programme and the Technical Cooperation Programme be reported to the Council for review. The Council has considered this issue and instructed the Secretary General to progressively allocate the identifiable costs to the AOSC Fund and the Regular Programme, as appropriate, in order to minimize the amount of cross-funding that was occurring between these Funds. During 2006, costs of $ 259 relating to Regular Programme support that has been charged to the AOSC Fund were charged to the Regular Programme, while an amount of $ 549 of Technical Cooperation Programme support costs charged to Regular Programme were charged to the AOSC Fund. The net transfer of costs for 2006 amounting to $ 290 has been recorded in the account subject to the Council's approval of a new policy of cost recovery.

5.1.5 In accordance with Assembly Resolution A35-32, an amount of $ 2 000 from the AOSC Fund surplus was transferred to the ICT Fund in 2006 to finance part of the cost of modernizing ICAO's financial system.

5.2 The Aviation Security Plan of Action

5.2.1 In Resolving Clause 5 of Assembly Resolution A35-10, the Assembly urged the Council to ensure the long term sustainability of the Aviation Security Plan of Action by progressively, and as soon as possible, incorporating the funding requirements within the Regular Programme. During 2006, the Council at its 8th and 14th meetings of the 176th Session took the following action:

- approved the transfer of $ 1.06 million from the reserve of the AVSEC Plan of Action to the General Fund in 2006 to finance the integration of some elements of the AVSEC Plan of Action into the Regular Programme Budget during 2006 and 2007;

- appropriated under paragraph 5.2 a) of the ICAO Financial Regulations, for the financial years 2006 and 2007, an amount of $ 0.53 million per year for the integration of part of the AVSEC Plan of Action, mainly the Universal Security Audit Programme (USAP), into the Regular Programme Budget; and

- approved the appropriation from miscellaneous income of $ 0.5 million per year for 2006 and 2007 to facilitate the integration of the USAP into the Regular Programme.

5.2.2 The increase of appropriation for 2006 amounting to $ 1 030 is reflected in the Statement of Appropriation (Statement IV).

6. TECHNICAL CO-OPERATION PROGRAMME FUNDS (NON-PROPRIETARY FUNDS)

6.1 The Technical Co-Operation Programme Funds are reported in Schedule C.

6.2 The Financial Regulations and Rules of the United Nations Development Programme (UNDP) provide that executing agencies, which are organizations of the United Nations system, transmit to the UNDP Administrator the accounts of funds allocated to them by the UNDP Administrator and the Report of the External Auditor thereon for submission to the UNDP Executive Board. The accounts for 2006 in respect of the UNDP projects executed by ICAO are included in Schedule C.1 of the Financial Statements of the Organization and the Report of the External Auditor accordingly encompasses the UNDP project accounts. These accounts are submitted for approval by the Assembly and subsequent submission to the Administrator of the UNDP.

7. OTHER TRUST FUNDS (NON-PROPRIETARY FUNDS)

7.1 The International Financial Facility for Aviation Safety (IFFAS)

The balance of funds in IFFAS as at 31 December 2006 amounted to $ 2 818, compared to $ 2 185 as at the end of 2005. During 2006, one grant amounting to $ 95 was approved by the Governing Body of IFFAS. A loan of $ 298, which was approved in 2005 remains pending acceptance. Transactions are reflected in Schedule E to the financial statements.

7.2 The Public Key Directory Fund (PKD)

The Fund was established by the Council in 2005 (C-DEC 174/1). ICAO will be responsible for supervision of the development of a project to support interoperability of electronic-enhanced machine readable passports, which includes the establishment of a public key directory under the aegis of ICAO to manage exchange of electronic keys for decryption of the digital signatures imbedded in the 'e-passports'. During 2006, six States contributed to the PKD fund. Pending the approval of the PKD Memorandum of Understanding by the Council, the PKD contributing States requested ICAO to divide the project and the PKD contract with the operator into two phases. Phase 1, consisted of the development, implementation and construction of the PKD infrastructure. Phase 2 will consist in operating the PKD, and will be implemented once the PKD Memorandum of Understanding is approved. Transactions are reflected in Schedule D to the financial statements.

7.3 Joint Financing Agreements

ICAO supervises the operation of air navigation services provided by the Governments of Denmark and Iceland, the costs of which are recovered by user charges and assessments on Contracting governments. In addition, ICAO is responsible for the administration of the funds, related to services, provided by the United Kingdom to monitor vertical separation minimum in the North Atlantic Regions, the costs of which are recovered through user charges. Funds are received from the United Kingdom and distributed by ICAO for the North Atlantic Height Monitoring System Fund and for the Administrative Fee for Joint Financing Fund whereas for the Danish Joint Financing Agreement and the Icelandic Joint Financing Agreement the funds are received directly to parties involved. Transactions are reflected in Schedule D to the financial statements.

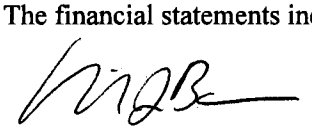
8. CERTIFICATION, APPROBATION AND SUBMISSION OF THE FINANCIAL STATEMENTS FOR THE YEAR 2006:

The Secretary General is required by the Financial Regulations to maintain such accounting records as are necessary and to submit financial statements showing the income and expenditure of all the International Civil Aviation Organization Funds during the financial year and their respective financial positions at the end of the year, as well as the status of appropriations (Regular Programme General Fund) and credits not budgeted for by the Assembly. He is also required to give such other information as may be appropriate to indicate the current financial position of the Organization.

Management is responsible for the preparation and integrity of the financial statements in this report. These statements have been prepared in accordance with United Nations System Accounting Standards (UNSAS), and necessarily include certain amounts that are based on management's best estimate and judgement. Financial information contained throughout the report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Organization, the results of its operations and its cash flows and the information disclosed in this report is presented in accordance with the provisions of the ICAO Financial Regulations.

To fulfil 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 the schedules and notes, and her report indicates the scope of her audit and her opinion on the financial statements.

The financial statements included in this annual report are certified.



Richard J. Barr
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit the financial report of ICAO, accompanied by the Financial Statements, the Schedules and the Annexes for the year 2006.

Taïeb Chérif
Secretary General

Montreal, Canada
14 May 2007

PART II: AUDITOR'S REPORT/OPINION OF THE EXTERNAL AUDITOR

AUDITOR'S REPORT

To the Assembly of the
International Civil Aviation Organization

I have audited the statement of assets, liabilities and fund balances of the International Civil Aviation Organization (ICAO) as at 31 December 2006, and the statements of income and expenditure and changes in fund balances, cash flow, cumulative surplus and appropriations for the Regular Programme General Fund and supporting schedules for the year then ended. These financial statements are the responsibility of the Secretary General. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, specialized agencies and the International Atomic Energy Agency and conforming with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization as at 31 December 2006 and the results of its operations and changes in fund balances, cash flow, cumulative surplus and appropriations for the Regular Programme General Fund for the year then ended in accordance with the United Nations System Accounting Standards. As required by the Financial Regulations, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the International Civil Aviation Organization that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the International Civil Aviation Organization's Financial Regulations and legislative authority.

In accordance with Article XIII of the Financial Regulations, I have also issued a long-form report on my audit of the International Civil Aviation Organization.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada
External Auditor

Montreal, Canada
11 May 2007

PART III: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedules D and E)		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
INCOME														
Assessed Contributions (Schedules A and D)	60 443	58 516			60 443	58 516			400	489			60 843	59 005
Contributions			3 828	3 713	3 828	3 713	125 342	88 536	970	1 579			130 140	93 828
Earmarked Contributions			1 043	1 105	1 043	1 105	95	516		128	(95)	(516)	1 043	1 233
Other Income														
Sales of publications	4 228	4 494			4 228	4 494							4 228	4 494
Funds received under inter-organization arrangements							8 990	13 433					8 990	13 433
Administrative fee revenue/user charges	47	4	7 806	6 196	7 853	6 200			34 984	36 156	(7 853)	(6 200)	34 984	36 156
Interest income	828	335	1 013	639	1 841	974	4 587	3 208	372	197			6 800	4 379
Miscellaneous	2 028	1 473	2 725	2 914	4 753	4 387	1 059	1 673		150			5 812	6 210
TOTAL INCOME	67 574	64 822	16 415	14 567	83 989	79 389	140 073	107 366	36 726	38 699	(7 948)	(6 716)	252 840	218 738
EXPENDITURE														
Salaries and common staff costs	54 272	52 651	12 328	11 206	66 600	63 857			1 161	574			67 761	64 431
General operating expenses	5 787	5 556	847	876	6 634	6 432			46	34			6 680	6 466
Travel	2 161	1 394	1 306	1 762	3 467	3 156			23	44			3 490	3 200
Equipment	422	330	90	62	512	392	60 000	38 809					60 512	39 201
Meetings	289	350			289	350							289	350
Expert and other personnel costs							38 519	32 599					38 519	32 599
Subcontracts							2 109	2 121					2 109	2 121
Training							1 971	1 472					1 971	1 472
Administrative overhead charges			47	4	47	4	7 806	6 196			(7 853)	(6 200)		
Service costs									39 109	33 984			39 109	33 984
Grants									95	516	(95)	(516)		
Other (Note 15)	187	177	819	212	1 006	389	1 248	1 026	357	428			2 611	1 843
TOTAL EXPENDITURE	63 118	60 458	15 437	14 122	78 555	74 580	111 653	82 223	40 791	35 580	(7 948)	(6 716)	223 051	185 667
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	4 456	4 364	978	445	5 434	4 809	28 420	25 143	(4 065)	3 119			29 789	33 071
BALANCE OF FUNDS														
Adjustment of prior year's unliquidated obligation/expenditure	210	172	86	16	296	188			(54)				242	188
Transfers to/from other funds (Statement V)	49	377	(49)	(377)										
Refund of contributions/transfer of Fund balances				(11)		(11)	(6 619)	(3 963)					(6 619)	(3 974)
Adjustment to reserved surplus for derivative asset	(4 503)	(367)			(4 503)	(367)							(4 503)	(367)
Fund balances, beginning of period	40 342	35 796	23 651	23 578	63 993	59 374	45 906	24 726	12 184	9 065			122 083	93 165
BALANCE OF FUNDS, END OF PERIOD	40 554	40 342	24 666	23 651	65 220	63 993	67 707	45 906	8 065	12 184			140 992	122 083

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
AS AT 31 DECEMBER 2006

(expressed in thousands of United States dollars)

	Note	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer to Schedule B)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer to Schedule C)		Other Trust Funds (Refer to Schedules D and E)		Eliminations		Total	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
ASSETS															
Cash and term deposits	3	17 996	22 609	22 442	20 868	40 438	43 477	121 116	94 712	6 762	7 530			168 316	145 719
Accounts receivable:															
Assessed contributions receivable from Contracting States (Schedule A)	4	20 409	12 541			20 409	12 541							20 409	12 541
Inter-fund balances		1 162	1 298	2 877	3 871	4 039	5 169	9 763	6 381	34	39	(13 836)	(11 589)		
Receivables and advances	5	4 012	3 481	1 416	1 761	5 428	5 242	3 528	3 129	6 228	7 712			15 184	16 083
Recoverable from Regional Bodies : AFCAC	6	920	1 110			920	1 110							920	1 110
Other assets		71	112	2 154	1 313	2 225	1 425							2 225	1 425
Derivative asset	7	6 106	10 609			6 106	10 609							6 106	10 609
Land and Buildings, at cost		1 065	1 065			1 065	1 065							1 065	1 065
TOTAL ASSETS		51 741	52 825	28 889	27 813	80 630	80 638	134 407	104 222	13 024	15 281	(13 836)	(11 589)	214 225	188 552
LIABILITIES															
Contributions received in advance (Schedule A)		1 732	3 477			1 732	3 477							1 732	3 477
Unliquidated obligations		2 166	1 352	223	273	2 389	1 625	32 825	29 125	42	3			35 256	30 753
Accounts payable		3 265	4 677	1 278	982	4 543	5 659	24 178	21 541	65	74			28 786	27 274
Due to Regional Bodies : ECAC and LACAC	6	1 086	950			1 086	950							1 086	950
Inter-fund balances		2 938	2 027	2 684	2 866	5 622	4 893	7 543	6 337	671	359	(13 836)	(11 589)		
Credits to contracting\servicing Governments (Schedule D)										4 181	2 661			4 181	2 661
Other credit balances and provisions				38	41	38	41	2 154	1 313					2 192	1 354
TOTAL LIABILITIES		11 187	12 483	4 223	4 162	15 410	16 645	66 700	58 316	4 959	3 097	(13 836)	(11 589)	73 233	66 469
BALANCE OF FUNDS															
Represented by:															
Contributed capital relating to land and buildings		1 065	1 065			1 065	1 065							1 065	1 065
Appropriations carried forward (Statement IV)		9 965	6 400			9 965	6 400							9 965	6 400
Cumulative Surplus (Statement V)		17 414	16 264	24 401	21 308	41 815	37 572	67 707	45 906	7 658	11 872			117 180	95 350
Working Capital Fund		6 004	6 004			6 004	6 004							6 004	6 004
Reserved Surplus	7	6 106	10 609	265	2 343	6 371	12 952			407	312			6 778	13 264
TOTAL BALANCE OF FUNDS		40 554	40 342	24 666	23 651	65 220	63 993	67 707	45 906	8 065	12 184			140 992	122 083
TOTAL LIABILITIES AND BALANCE OF FUNDS		51 741	52 825	28 889	27 813	80 630	80 638	134 407	104 222	13 024	15 281	(13 836)	(11 589)	214 225	188 552

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
STATEMENT OF CASH FLOW
FOR THE PERIOD ENDING 31 DECEMBER 2006

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds		Sub-total ICAO Funds		Technical Co-operation Programme Funds		Other Trust Funds		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:												
Net excess (shortfall) of income over expenditure (Statement I)	4 456	4 364	978	445	5 434	4 809	28 420	25 143	(4 065)	3 119	29 789	33 071
(Increase) decrease in contributions receivable	(7 868)	259			(7 868)	259					(7 868)	259
(Increase) decrease in other accounts receivable	(341)	1 257	345	(1 020)	4	237	(399)	(568)	1 484	650	1 089	319
(Increase) decrease in other assets	41	(59)	(841)	229	(800)	170					(800)	170
(Increase) decrease in inter-fund balances receivable	136	(494)	994	(2 358)	1 130	(2 852)	(3 382)	1 051	5	62	(2 247)	(1 739)
Increase (decrease) in contributions received in advance	(1 745)	482			(1 745)	482					(1 745)	482
Increase (decrease) in unliquidated obligations	814	(702)	(50)	(417)	764	(1 119)	3 700	5 180	39	3	4 503	4 064
Increase (decrease) in accounts payable	(1 276)	1 630	296	677	(980)	2 307	2 637	(12 123)	(9)	14	1 648	(9 802)
Increase (decrease) in inter-fund balances payable	911	(3 198)	(182)	1 353	729	(1 845)	1 206	3 432	312	152	2 247	1 739
Less : Interest income	(828)	(335)	(1 013)	(639)	(1 841)	(974)	(4 587)	(3 208)	(372)	(197)	(6 800)	(4 379)
Other credit balances and provisions			(3)	13	(3)	13	841	(229)	1 520	(1 390)	2 358	(1 606)
(Increase) decrease in derivative asset	4 503	367			4 503	367					4 503	367
Other adjustments to reserves and fund balances	(4 503)	(367)			(4 503)	(367)					(4 503)	(367)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(5 700)	3 204	524	(1 717)	(5 176)	1 487	28 436	18 678	(1 086)	2 413	22 174	22 578
CASH FLOWS FROM INVESTING ACTIVITIES:												
Interest income	828	335	1 013	639	1 841	974	4 587	3 208	372	197	6 800	4 379
NET CASH FLOWS FROM INVESTING ACTIVITIES	828	335	1 013	639	1 841	974	4 587	3 208	372	197	6 800	4 379
CASH FLOWS FROM FINANCING ACTIVITIES:												
Adjustment of prior periods' obligations	210	172	86	16	296	188			(54)		242	188
Transfers (to)/from other funds	49	377	(49)	(377)								
Refund of contributions				(11)		(11)	(6 619)	(3 963)			(6 619)	(3 974)
NET CASH FLOWS FROM FINANCING ACTIVITIES	259	549	37	(372)	296	177	(6 619)	(3 963)	(54)		(6 377)	(3 786)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(4 613)	4 088	1 574	(1 450)	(3 039)	2 638	26 404	17 923	(768)	2 610	22 597	23 171
CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	22 609	18 521	20 868	22 318	43 477	40 839	94 712	76 789	7 530	4 920	145 719	122 548
CASH AND TERM DEPOSITS, END OF PERIOD	17 996	22 609	22 442	20 868	40 438	43 477	121 116	94 712	6 762	7 530	168 316	145 719

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATIONS
FOR THE PERIOD ENDING 31 DECEMBER 2006

(expressed in thousands of United States dollars)

Major Programme	Appropriations						Expenditures			Balance
	Original (A35-22)	Carried over from prior year \a	Increase of Appropriations \b	Transfers between Major Programmes \c	Carried over to following year \d	Revised	Disbursements	Unliquidated obligations	Total	
I - General Policy and Direction	1 114	145		143	(322)	1 080	1 017	63	1 080	
II - Air Navigation	9 227	707		(169)	(1 011)	8 754	8 458	296	8 754	
III - Air Transport	5 403	535	1 030	(254)	(745)	5 969	5 729	200	5 929	40
IV - Legal	1 119	260		(24)	(488)	867	866	1	867	
V - Regional and Other Programmes	16 355	1 937		(312)	(2 126)	15 854	15 165	689	15 854	
VI - Administrative Support	25 731	1 229		(329)	(2 088)	24 543	23 784	642	24 426	117
VII - Finance, External Relations / Public Information and Programmes Evaluation, Audit and Management Review	3 844	457		945	(1 814)	3 432	3 221	210	3 431	1
VIII - Universal Safety Oversight Audit Programme	3 027	1 130			(1 371)	2 786	2 712	65	2 777	9
TOTAL	65 820	6 400	1 030		(9 965)	63 285	60 952	2 166	63 118	167

\a Approved by Council at its 176th and 178th Session (C-176/14 and C-178/12) Fin. Reg. 5.6.
\b Approved by Council at its 176th Session (C-176/8 and C-176/14)
\c Approved by Council at its 179th (C-179/17) Fin. Reg. 5.10.
\d Approved by Council at its 179th (C-179/17) Fin. Reg. 5.6.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT OF CUMULATIVE SURPLUS
AS AT 31 DECEMBER 2006

(expressed in thousands of United States dollars)

	Regular Programme General Fund and Working Capital Fund		Other ICAO Proprietary Funds (Refer Schedule B)		Sub-total ICAO Funds		Technical Co-operation Programme Funds (Refer Schedule C)		Other Trust Funds (Refer Schedules D and E)		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
CUMULATIVE SURPLUS												
Cumulative Surplus, Beginning of year	16 264	15 773	21 308	19 775	37 572	35 548	45 906	24 726	11 872	8 728	95 350	69 002
Excess (shortfall) of Income over Expenditure	4 456	4 364	978	445	5 434	4 809	28 420	25 143	(4 065)	3 119	29 789	33 071
Transactions not recognized in Statement of Income /Expenditure												
Adjustment of prior year's expenditure	78	28	86	16	164	44			(54)		110	44
Write-offs	(48)	(74)			(48)	(74)					(48)	(74)
Cancellation of prior year's unliquidated obligations	180	218			180	218					180	218
Appropriations carried over from prior year	6 400	1 978			6 400	1 978					6 400	1 978
Appropriations carried over to following year	(9 965)	(6 400)			(9 965)	(6 400)					(9 965)	(6 400)
Refund of contributions				(11)		(11)	(6 619)	(3 963)			(6 619)	(3 974)
Transfers to/(from) other funds	49	377	(49)	(377)								
Transfers to/(from) reserved surplus:			2 000		2 000						2 000	
Reserved from/to AOSC / Joint Financing									(95)	25	(95)	25
Reserved Cash Surplus												
To and from Incentive Scheme Reserved Surplus			78	1 460	78	1 460					78	1 460
Cumulative Surplus at end of year	17 414	16 264	24 401	21 308	41 815	37 572	67 707	45 906	7 658	11 872	117 180	95 350
RESERVED SURPLUS												
Reserved in Regular Programme for Derivative Asset												
Beginning balance	10 609	10 976			10 609	10 976					10 609	10 976
Transfers to/(from) Regular Programme	(4 503)	(367)			(4 503)	(367)					(4 503)	(367)
Balance end of year	6 106	10 609			6 106	10 609					6 106	10 609
Reserved AOSC / Joint Financing Funds Surplus												
Beginning balance			2 000	2 000	2 000	2 000			312	337	2 312	2 337
Transferred to/from reserve			(2 000)		(2 000)				95	(25)	(1 905)	(25)
Balance end of year				2 000		2 000			407	312	407	2 312
Regular Programme Appropriations Carried Forward												
Beginning balance	6 400	1 978			6 400	1 978					6 400	1 978
Transferred to Regular Programme for current year	(6 400)	(1 978)			(6 400)	(1 978)					(6 400)	(1 978)
Appropriations carried forward to future year	9 965	6 400			9 965	6 400					9 965	6 400
Balance end of year	9 965	6 400			9 965	6 400					9 965	6 400
Reserved in Incentive Scheme for Long-Outstanding Arrears												
Beginning balance			343	1 803	343	1 803					343	1 803
Transferred to/from reserve (note 8)				(1 000)		(1 000)						(1 000)
Expenditures			(78)	(460)	(78)	(460)					(78)	(460)
Balance end of year			265	343	265	343					265	343
Reserved Surplus at end of year	16 071	17 009	265	2 343	16 336	19 352			407	312	16 743	19 664
Contributed capital relating to land and buildings	1 065	1 065			1 065	1 065					1 065	1 065
Working Capital Fund	6 004	6 004			6 004	6 004					6 004	6 004
TOTAL BALANCE OF FUNDS	40 554	40 342	24 666	23 651	65 220	63 993	67 707	45 906	8 065	12 184	140 992	122 083

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2006

(in thousands of United States dollars)

	General Fund							
Contracting States Assembly Resolutions A35-24 and A35-22A	Scales 2006	Assessments 2006	Contributions Received for 2006	Balance of Assessments Receivable for 2006	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable	Contributions Received in Advance
AFGHANISTAN	0.06	36	9	27			27	
ALBANIA	0.06	36		36			36	
ALGERIA	0.07	42	42					
ANDORRA	0.06	36	36					
ANGOLA	0.06	36	16	20			20	
ANTIGUA AND BARBUDA	0.06	36		36	472	1	509	
ARGENTINA	0.72	435	435					
ARMENIA	0.06	36	36					
AUSTRALIA	1.61	973	973					979
AUSTRIA	0.71	429	429					
AZERBAIJAN	0.06	36	36					
BAHAMAS	0.06	36	36					11
BAHRAIN	0.06	36	36					
BANGLADESH	0.08	48	48					
BARBADOS	0.06	36		36			36	
BELARUS (*)	0.06	36		36	129		165	
BELGIUM	0.81	489	489					
BELIZE	0.06	36	36					
BENIN (*)	0.06	36	36		152		152	
BHUTAN	0.06	36	36					
BOLIVIA	0.06	36	35	1			1	
BOSNIA AND HERZEGOVINA	0.06	36	36					
BOTSWANA	0.06	36	36					
BRAZIL	1.37	828	828					551
BRUNEI DARUSSALAM	0.06	36		36			36	
BULGARIA	0.06	36	36					
BURKINA FASO	0.06	36	36		158		158	
BURUNDI	0.06	36	36		20		20	
CAMBODIA (*)	0.06	36		36	219		255	
CAMEROON	0.06	36	36					
CANADA	2.49	1 504	1 504					
CAPE VERDE	0.06	36	36					
CENTRAL AFRICAN REPUBLIC (*)	0.06	36	36		321		321	
CHAD	0.06	36	36		257		257	
CHILE	0.30	181	181					
CHINA	1.84	1 111	1 111					
COLOMBIA	0.23	139	139					
COMOROS (*)	0.06	36	36		463		463	
CONGO (*)	0.06	36	36		364		364	
COOK ISLANDS	0.06	36	36		104		104	
COSTA RICA	0.06	36	36					
COTE D'IVOIRE (*)	0.06	36	36		122		122	
CROATIA	0.06	36	36					
CUBA	0.06	36	36					
CYPRUS	0.06	36	36					
CZECH REPUBLIC	0.15	91	91					
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.06	36	36					
DEMOCRATIC REPUBLIC OF THE CONGO (*)	0.06	36		36	315		351	
DENMARK	0.55	332	332					
DJIBOUTI	0.06	36		36	490		526	
DOMINICAN REPUBLIC	0.06	36	36					
ECUADOR	0.06	36	36					
EGYPT	0.18	109	109					
EL SALVADOR (*)	0.06	36		36	162		198	
EQUATORIAL GUINEA	0.06	36	36					
ERITREA	0.06	36		36			36	
ESTONIA	0.06	36	36					
ETHIOPIA	0.06	36	36					
FIJI	0.06	36	36					
FINLAND	0.45	272	272					
FRANCE	5.08	3 069	3 069					
GABON	0.06	36	36		80		80	
GAMBIA	0.06	36		36	272		308	
GEORGIA	0.06	36	36		402		402	
GERMANY	7.09	4 283	4 283					

Schedule A
(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2006

(in thousands of United States dollars)

		General Fund						
Contracting States Assembly Resolutions A35-24 and A35-22A	Scales 2006	Assessments 2006	Contributions Received for 2006	Balance of Assessments Receivable for 2006	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable	Contributions Received in Advance
GHANA	0.06	36	36					
GREECE	0.43	260	260					
GRENADA	0.06	36	36		217		217	
GUATEMALA	0.06	36	36					
GUINEA	0.06	36	36		187		187	
GUINEA-BISSAU	0.06	36	36		585	1	586	
GUYANA	0.06	36	28	8			8	
HAITI	0.06	36		36	66		102	
HONDURAS	0.06	36	15	21			21	
HUNGARY	0.12	72	72					
ICELAND	0.06	36	36					
INDIA	0.45	272	272					
INDONESIA	0.24	145	140	5			5	
IRAN (ISLAMIC REPUBLIC OF)	0.15	91		91			91	
IRAQ	0.06	36		36	1 117		1 153	
IRELAND	0.36	217	217					
ISRAEL	0.52	314	69	245			245	
ITALY	3.57	2 157	2 157					
JAMAICA	0.06	36	36					1
JAPAN	14.46	8 735	8 735					
JORDAN	0.06	36	36					
KAZAKHSTAN	0.06	36	36					15
KENYA	0.06	36	36					10
KIRIBATI	0.06	36		36	4		40	
KUWAIT	0.18	109	109					
KYRGYZSTAN (*)	0.06	36		36	260		296	
LAO PEOPLE'S DEMOCRACTIC REPUBLIC	0.06	36	36					
LATVIA	0.06	36	36					
LEBANON	0.06	36	36					
LESOTHO	0.06	36	36					
LIBERIA	0.06	36	36		256		256	
LIBYAN ARAB JAMAHIRIYA	0.09	54	11	43			43	
LITHUANIA	0.06	36		36			36	
LUXEMBOURG	0.35	211	211					
MADAGASCAR	0.06	36	36					
MALAWI (*)	0.06	36		36	168		204	
MALAYSIA	0.50	302	302					
MALDIVES	0.06	36	36					
MALI	0.06	36	36		126		126	
MALTA	0.06	36	36					
MARSHALL ISLANDS	0.06	36		36	34		70	
MAURITANIA (*)	0.06	36	36		243		243	
MAURITIUS	0.06	36	36					36
MEXICO	1.11	671	671					
MICRONESIA (FEDERATED STATES OF)	0.06	36		36	43		79	
MONACO	0.06	36	36					
MONGOLIA	0.06	36	36					
MOROCCO	0.08	48	5	43			43	
MOZAMBIQUE	0.06	36	36					
MYANMAR	0.06	36		36	3		39	
NAMIBIA	0.06	36		36			36	
NAURU	0.06	36		36	329		365	
NEPAL	0.06	36	36					
NETHERLANDS	1.87	1 130	1 130					
NEW ZEALAND	0.34	205	205					
NICARAGUA	0.06	36	36					
NIGER	0.06	36	36		57		57	
NIGERIA	0.06	36	36					
NORWAY	0.53	320	320					
OMAN	0.09	54	54					
PAKISTAN	0.14	85	85					
PALAU	0.06	36		36	66		102	
PANAMA	0.06	36	36					
PAPUA NEW GUINEA	0.06	36		36			36	
PARAGUAY	0.06	36	36					

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM CONTRACTING STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2006

(in thousands of United States dollars)

	General Fund							
Contracting States Assembly Resolutions A35-24 and A35-22A	Scales 2006	Assessments 2006	Contributions Received for 2006	Balance of Assessments Receivable for 2006	Balance of Prior Years' Assessments Receivable	Balance of Advances due to the Working Capital Fund	Total Balances Receivable	Contributions Received in Advance
PERU	0.09	54	54					
PHILIPPINES	0.18	109	24	85			85	
POLAND	0.36	217	217					
PORTUGAL	0.42	254	254					
QATAR	0.13	79	79					
REPUBLIC OF KOREA	2.41	1 456	1 456					
REPUBLIC OF MOLDOVA	0.06	36	36		139		139	
ROMANIA	0.06	36	36					
RUSSIAN FEDERATION	0.61	368	368					
RWANDA	0.06	36	36		63		63	
SAINT KITTS & NEVIS	0.06	36		36	3		39	
SAINT LUCIA	0.06	36	36					
SAINT VINCENT AND THE GRENADINES	0.06	36	36					
SAMOA	0.06	36	36					
SAN MARINO	0.06	36	1	35			35	
SAO TOME AND PRINCIPE (*)	0.06	36		36	462		498	
SAUDI ARABIA	0.70	423	423					
SENEGAL	0.06	36	36					23
SERBIA AND MONTENEGRO	0.06	36	36					
SEYCHELLES (*)	0.06	36		36	156		192	
SIERRA LEONE	0.06	36	36		279		279	
SINGAPORE	1.26	761	761					
SLOVAKIA	0.06	36	36					
SLOVENIA	0.06	36	36					
SOLOMON ISLANDS	0.06	36	20	16	144		160	
SOMALIA	0.06	36		36	543	1	580	
SOUTH AFRICA	0.43	260	260					
SPAIN	2.07	1 250	1 250					21
SRI LANKA	0.07	42	40	2			2	
SUDAN	0.06	36		36	35		71	
SURINAME (*)	0.06	36		36	125		161	
SWAZILAND	0.06	36		36			36	
SWEDEN	0.76	459	459					
SWITZERLAND	1.13	683	683					
SYRIAN ARAB REPUBLIC	0.06	36		36			36	
TAJIKISTAN	0.06	36		36	126		162	
THAILAND	0.57	344	344					
the former Socialist Federal Republic of Yugoslavia (1)					511		511	
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	0.06	36	36					
TIMOR-LESTE (2)	0.06	36		36	9	4	49	
TOGO	0.06	36	36					
TONGA	0.06	36	36					
TRINIDAD AND TOBAGO	0.06	36	36					
TUNISIA	0.06	36	36					
TURKEY	0.40	242	242					
TURKMENISTAN	0.06	36	36					
UGANDA	0.06	36	36					
UKRAINE	0.06	36	36					
UNITED ARAB EMIRATES	0.50	302	302					
UNITED KINGDOM	5.60	3 383	3 383					
UNITED REPUBLIC OF TANZANIA	0.06	36	36					
UNITED STATES OF AMERICA	25.00	15 102	7 551	7 551			7 551	
URUGUAY	0.06	36	36		25		25	
UZBEKISTAN	0.06	36	36					
VANUATU	0.06	36		36	24		60	
VENEZUELA	0.14	85	85					85
VIET NAM	0.06	36	36					
YEMEN	0.06	36	36					
ZAMBIA	0.06	36	36					
ZIMBABWE	0.06	36		36			36	
TOTAL **	100.06	60 443	50 944	9 499	10 903	7	20 409	1 732

Note 1 : The devolution of the amount owing by the former Socialist Federal Republic of Yugoslavia is to be ascertained.
Note 2 : New Contracting State (C-DEC 176/2)
* States which had not met their obligations according to the terms of their agreements as at 31 December 2006.
** Details may not add to totals due to rounding.

Schedule B

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	Revenue Generating and Cost Recovery Special Accounts/Funds (Refer Annex A)	Aviation Security Plan of Action (Refer Annex B)	Universal Safety Oversight Audit Programme Fund	Funds for Support of Technical Co-operation (Refer Schedule B.1)	Others (Refer Annex C)	TOTAL 2006	TOTAL 2005
INCOME AND EXPENDITURE							
INCOME							
Contributions	73	2 612	640		503	3 828	3 713
Earmarked Contributions		1043				1 043	1 105
Other Income							
Administrative fee revenue				7 806		7 806	6 196
Interest income	95	398	12	251	257	1 013	639
Revenue-generating and cost recovery activities	2 238					2 238	1 903
Miscellaneous		341		146		487	1 011
TOTAL INCOME	2 406	4 394	652	8 203	760	16 415	14 567
EXPENDITURE							
Salaries and common staff costs	1 090	3 004	447	7 045	742	12 328	11 206
General operating expenses	502			345		847	876
Travel	65	1 113		112	16	1 306	1 762
Equipment	25	32		27	6	90	62
Administrative overhead charges		37			10	47	4
Other (Note 15)	114	158		545	2	819	212
TOTAL EXPENDITURE	1 796	4 344	447	8 074	776	15 437	14 122
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	610	50	205	129	(16)	978	445
BALANCE OF FUNDS							
Adjustment of prior year's unliquidated obligations/ expenditure	1	134		(51)	2	86	16
Transfers to/from other funds		(530)		(2 000)	2 481	(49)	(377)
Refund of contributions							(11)
Fund balances, beginning of period	2 039	8 395	109	8 070	5 038	23 651	23 578
BALANCE OF FUNDS, END OF PERIOD	2 650	8 049	314	6 148	7 505	24 666	23 651
ASSETS, LIABILITIES AND FUND BALANCES							
ASSETS							
Cash and term deposits	2 298	8508	357	4 146	7 133	22 442	20 868
Accounts receivable							
Inter-fund balances	237	342		1 822	476	2 877	3 871
Receivables and advances	430	276	84	609	17	1 416	1 761
Other assets				2 154		2 154	1 313
TOTAL ASSETS	2 965	9 126	441	8 731	7 626	28 889	27 813
LIABILITIES							
Unliquidated obligations	44	107		62	10	223	273
Accounts payable	159	290	75	704	50	1 278	982
Inter-fund balances	112	680	52	1 779	61	2 684	2 866
Other credit balances and provisions				38		38	41
TOTAL LIABILITIES	315	1 077	127	2 583	121	4 223	4 162
BALANCE OF FUNDS Represented by:							
Cumulative surplus	2 650	8049	314	6 148	7 240	24 401	21 308
Reserved surplus					265	265	2 343
TOTAL BALANCE OF FUNDS	2 650	8 049	314	6 148	7 505	24 666	23 651
TOTAL LIABILITIES AND BALANCE OF FUNDS	2 965	9 126	441	8 731	7 626	28 889	27 813

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	TECHNICAL CO-OPERATION SUPPORT			
	TCB Efficiency / Efectiveness Fund	Administrative and Operational Services Cost Fund	TOTAL 2006	TOTAL 2005
INCOME AND EXPENDITURE				
INCOME				
Other income				
Administrative fee revenue		7 806	7 806	6 196
Interest income		251	251	142
Miscellaneous		146	146	815
TOTAL INCOME		8 203	8 203	7 153
EXPENDITURE				
Salaries and common staff costs		7 045	7 045	6 276
General operating expenses		345	345	261
Travel		112	112	208
Equipment		27	27	
Other (refer Note 15)	5	540	545	28
TOTAL EXPENDITURE	5	8 069	8 074	6 773
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(5)	134	129	380
BALANCE OF FUNDS				
Adjustment of prior year's income		(92)	(92)	
Adjustment of prior year's unliquidated obligations/ expenditure		41	41	12
Transfers to/from other funds	102	(2 102)	(2 000)	
Fund balances, beginning of period	122	7 948	8 070	7 678
BALANCE OF FUNDS, END OF PERIOD	219	5 929	6 148	8 070
ASSETS, LIABILITIES AND FUND BALANCES				
ASSETS				
Cash and term deposits		4 146	4 146	4 913
Accounts receivable				
Inter-fund balances	219	1 603	1 822	3 526
Receivables and advances		609	609	785
Other assets		2 154	2 154	1 313
TOTAL ASSETS	219	8 512	8 731	10 537
LIABILITIES				
Unliquidated obligations		62	62	50
Accounts payable		704	704	447
Inter-fund balances		1 779	1 779	1 929
Other credit balances and provisions		38	38	41
TOTAL LIABILITIES		2 583	2 583	2 467
BALANCE OF FUNDS Represented by:				
Cumulative surplus	219	5 929	6 148	6 070
Reserved surplus				2 000
TOTAL BALANCE OF FUNDS	219	5 929	6 148	8 070
TOTAL LIABILITIES AND BALANCE OF FUNDS	219	8 512	8 731	10 537

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TECHNICAL CO-OPERATION PROGRAMME FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	United Nations Development Programme (Refer to Schedule C.1)	Trust Funds and Management Service Agreements (Refer to Schedule C.2)	ICAO Objectives Implementation Mechanims Fund	Civil Aviation Purchasing Services Funds (Refer to Schedule C.3)	TOTAL 2006	TOTAL 2005
INCOME AND EXPENDITURE						
INCOME						
Contributions		124 215	115	1 012	125 342	88 536
Earmarked Contributions		95			95	516
Other Income						
Funds received under inter-organization arrangements	8 990				8 990	13 433
Interest income		4 287	10	290	4 587	3 208
Miscellaneous		995	4	60	1 059	1 673
TOTAL INCOME	8 990	129 592	129	1 362	140 073	107 366
EXPENDITURE						
Equipment	(894)	58 442	1	2 451	60 000	38 809
Expert and other personnel costs	4 173	34 306	40		38 519	32 599
Subcontracts	271	1 691		147	2 109	2 121
Training	534	1 348	89		1 971	1 472
Administrative overhead charges	438	7 263	9	96	7 806	6 196
Other	498	544	2	204	1 248	1 026
TOTAL EXPENDITURE	5 020	103 594	141	2 898	111 653	82 223
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	3 970	25 998	(12)	(1 536)	28 420	25 143
BALANCE OF FUNDS						
Transfers to/from other funds		(57)		57		
Refund of contributions		(6 619)			(6 619)	(3 963)
Fund balances, beginning of period	(3 993)	47 276	83	2 540	45 906	24 726
BALANCE OF FUNDS, END OF PERIOD	(23)	66 598	71	1 061	67 707	45 906
ASSETS, LIABILITIES AND FUND BALANCES						
ASSETS						
Cash and term deposits	3 544	112 305	125	5 142	121 116	94 712
Accounts receivable						
Inter-fund balances	7 285	2 472	4	2	9 763	6 381
Receivables and advances	3 419	107	2		3 528	3 129
TOTAL ASSETS	14 248	114 884	131	5 144	134 407	104 222
LIABILITIES						
Unliquidated obligations	382	32 384	12	47	32 825	29 125
Accounts payable	13 627	6 535	32	3 984	24 178	21 541
Inter-fund balances	262	7 213	16	52	7 543	6 337
Other credit balances and provisions		2 154			2 154	1 313
TOTAL LIABILITIES	14 271	48 286	60	4 083	66 700	58 316
BALANCE OF FUNDS Represented by:						
Cumulative surplus (deficit)	(23)	66 598	71	1 061	67 707	45 906
Reserved surplus						
TOTAL BALANCE OF FUNDS	(23)	66 598	71	1 061	67 707	45 906
TOTAL LIABILITIES AND BALANCE OF FUNDS	14 248	114 884	131	5 144	134 407	104 222

SCHEDULE C.1

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
SCHEDULE OF THE STATUS OF FUNDS
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	2006		2005	
OPERATING FUND				
Fund balance at beginning of year		(3 993)		(11 836)
Add:				
Cash drawings from UNDP	9 259		14 300	
Project Clearing Account			(444)	
Miscellaneous income and exchange adjustments	(261)		(402)	
Miscellaneous items charged/refunded to UNDP	(8)	8 990	(21)	13 433
		4 997		1 597
Deduct:				
Expenditure during the year (Schedule C.1.1)				
For projects				
Disbursements	4 200		4 749	
Unliquidated obligations	382		432	
Support costs	438	5 020	409	5 590
Total expenditure		5 020		5 590
Fund balance at end of year		(23)		(3 993)
REPRESENTED BY:				
Cash in banks, on hand and in transit		3 544		1 482
Due from other Funds		7 285		4 392
Accounts receivable and sundry debit balances		3 419		3 010
		14 248		8 884
Less:				
Due to other Funds		262		519
Accounts payable and sundry credits balances		13 627		11 926
Unliquidated obligations - current year		382		432
		14 271		12 877
Fund balance at end of year		(23)		(3 993)

Certified:

Richard J. Barr
Chief, Finance Branch

Approved:

Taïeb Chérif
Secretary General

INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME
EXPENDITURE BY COUNTRY AND REGION
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

COUNTRY	2006	2005
Botswana	1	(41)
Colombia	(248)	1
Ecuador	457	1 433
Equatorial Guinea	747	423
Ethiopia	3	(1)
Indonesia	3	15
Lebanon		(5)
Peru		(2)
Somalia	3 449	3 187
Country Total	4 412	5 010
REGION		
Latin American and the Caribbean	170	171
SUB-TOTAL	4 582	5 181
Support costs	438	409
GRAND TOTAL	5 020	5 590

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

Fund	Balance as at 01.01.2006	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2006
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGANISTAN MSA*	44	331	14	228	18			143
ARGENTINA MSA *	2 252	5 965	289	6 651	407		(153)	1 295
ARGENTINA (DA)	212		10					222
BAHAMAS (DCA)	62		2			(15)		49
BANGLADESH	16		1					17
BARBADOS	63		3	4	1			61
BHUTAN MSA*		11		8	1			2
BOLIVIA	106	2 017		1 633	145	(2)	(71)	272
BOSNIA AND HERZEGOVINA	12		6	1				17
BOTSWANA		1 192	54	309	31			906
BRAZIL (CART) MSA *	190		3	3		(176)		14
BRAZIL (SSA) MSA *	316		16			(13)		319
BRAZIL (DAC) MSA *	1 482	6 849	487	6 017	290	184		2 695
BRAZIL (DECEA) MSA *	3 003	2 104	549	3 944	188	5		1 529
BRAZIL (ITCM) MSA *	(57)			3				(60)
BRAZIL (INFRAERO) MSA *	133		27	93	4			63
CHINA	33		2					35
COLOMBIA MSA*	5	43		44	2			2
COSCAP (BAG) BANJUL ACCORD GROUP MSA*	848	379	36	498	50			715
COSCAP (BAG) IFFAS GRANT MSA*	126		6	126	6			
COSCAP (CEMAC) REG. CENTRAL AFRICA MSA*		1 130	24					1 154
COSCAP (CIS) IFFAS GRANT MSA*			2	91	4	95		2
COSCAP (LAM) EC GRA MSA*	55		6	49	4			8
COSCAP (NA) EC GRA MSA*	(214)	252		70	4			(36)
COSCAP (SA) EC GRA MSA*	22	94	7	187	13			(77)
COSCAP (SA) IFFAS GRANT MSA*	86		3	64	3			22
COSCAP (SEA) IFFAS GRANT MSA*	85		3	46	2			40
COSCAP (UEMOA) MSA*	596	151	26	505	35			233
COSCAP (UEMOA) IFFAS GRANT MSA*	103		5	63	3			42
COSTA RICA		15		4	1			10
COSTA RICA MSA*		150		1				149
CUBA MSA*	(116)	91		1				(26)
CYPRUS MSA*		202	6	152	15			41
CZECH REPUBLIC MSA *	25		7	2				30
DEM. REPUBLIC OF CONGO MSA*	230	1 226	39	357	37			1 101
DOMINICAN REPUBLIC MSA *	235	4	4	34	3			206
EAST AFRICAN COMMUNITIES (REG.EIB) MSA*	735		33				(768)	
EGYPT MSA*	683	296	36	533	53			429
FINLAND MSA*	19	22		37	4			
GERMANY (ASSOCIATE EXPERTS SCHEME)	70	119	5	125	15			54
GREECE MSA *	122	508	14	462	50			132
GUATEMALA MSA *	9 487	67 590	1 160	45 326	1 592		(87)	31 232
GUYANA (GTV)	11			3	1			7
HAITI	49	68	4	60	8			53
INDIA MSA*	492	243	38	267	26			480
IRAQ MSA *	38		2					40
IRAQ	39							39
ITALY (ASSOCIATE EXPERTS SCHEME)	23		2					25
INTER-REGIONAL (A.KOTAITE FUND)		33	1					34
LAOS PEOPLE'S DEMOCRATIC REPUBLIC MSA*	11	15	1					27
LATVIA	23		1	5	1			18
LEBANON MSA *	449	1 083	33	579	58			928
LESOTHO (CAD)	115		6					121
LIBYAN ARAB JAMAHIRIYA MSA*	45		2					47
MACAU	82		4			(14)		72
MEXICO	27		2	(1)				30
MEXICO MSA*	0	62		61	3			(2)
MOROCCO (ONDA)	61		3	(1)				65
MOZAMBIQUE MSA*		60	1					61
NIGERIA MSA*	551	49	26	312	31	37		320

SCHEDULE C.2
(continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

Fund	Balance as at 01.01.2006	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2006
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
NIGERIA (FAAN) MSA *	189		6			(94)		101
NIGERIA (NAMA) MSA *	26		2	1				27
OMAN	169	287	17	256	25			192
PANAMA	4 154	8 152	728	8 939	406			3 689
PANAMA MSA*	97		5					102
PANAMA (DGAC) MSA *	205	1 594	20	693	61			1 065
PERU MSA*	1 535	4 782	6	4 901	401			1 021
PHILIPPINES	692	1 008	54	212	28	(25)		1 489
PHILIPPINES (TRAINAIR) MSA *	33		2	12	2			21
REGIONAL (AFRICA) MSA*	648		34	130	13			539
REGIONAL (ASIA) MSA*	79	57	4	84	7	14		63
REGIONAL (ASIA)	520	442	26	333	33			622
REGIONAL (BOEING)	13	164	3	57	6	(95)		22
REGIONAL (BOEING) MSA*	99		8	52	6			49
REGIONAL (CAFAC) MSA*	519		24	176	23			344
REGIONAL (CASP-ASIA/PACIFIC)	239	449	17	258	26			421
REGIONAL (EC GRANT) MSA*	118		6	116	8			
REGIONAL (EGNOS)	584	25	28	444	33			160
REGIONAL (EUR) MSA*		58	2	25	2			33
REGIONAL (LATIN AMERICA)	687	572	39	528	53	2		719
REGIONAL (MID) MSA*	131	976	24	484	48			599
REGIONAL (MID RMA) MSA*		210	4					214
REGIONAL (REDDIG)	501	443	16	480	37			443
REGIONAL (SOUTH ASIA) (COSCAP)	647	488	37	325	42	35		840
REGIONAL (SOUTH EAST ASIA) (COSCAP)	415	168	22	268	35	25		327
REGIONAL SPAIN		59	2	31	2			28
ROMANIA MSA*	39		2	(1)				42
RUSSIA MSA*		91	3	67	7			20
RWANDA MSA*		91	2	43	4			46
SAUDI ARABIA (GCCC)	225			1 734	26	1 596		61
SAUDI ARABIA MSA *	4 405	3 653	664	3 351	335	(1 596)		3 440
SINGAPORE	148	171	7	136	14			176
SOMALIA	4 178	4 096	270				(5 440)	3 104
SRI LANKA	37			(9)	(1)	(35)	(1)	11
SRI LANKA MSA*		397	13	86	9			315
SUDAN MSA*	35		1					36
SUDAN (PEACE KEEPING) MSA*				15	1			(16)
SYRIAN ARAB REP. (AL-MEZZAH AIRPORT) MSA *	15		1					16
SYRIAN ARAB REPUBLIC (DGCA) MSA *	116		6					122
THAILAND (MTC)	16		1					17
THAILAND MSA*	2 544	70	82	1 939	193			564
UNITED ARAB EMIRATES MSA *	52		1	(21)			(74)	
UNITED REPUBLIC OF TANZANIA MSA*	75		1	59	6			11
UNMIK-KOSOVO MSA*	892	355	44	830	83			378
VENEZUELA MSA*	(1 308)	2 558	5	5	2 149			(899)
VIETNAM	13		1					14
LUMP-SUM CONTRACTS	207	538	15	305	30	15	(3)	437
OTHER MSA AND TRUST FUNDS **	202	2	16	31	1		(22)	166
TOTAL	47 276	124 310	5 282	96 331	7 263	(57)	(6 619)	66 598

* Management Service Agreements

** Summary of fifty-nine funds with either year end balances or transactions during the year of less than ten thousands dollars.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

CIVIL AVIATION PURCHASING SERVICE FUNDS
SCHEDULE OF INCOME, EXPENDITURE AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

Fund	Balance as at 01.01.2006	Income		Expenditure		Transfer from or to Other Funds	Refund of Contributions	Balance as at 31.12.2006
		Contributions	Interest and Other Income	Project Costs	Administrative Overhead			
AFGHANISTAN	33		2	4				31
BANGLADESH	219		11					230
BRAZIL	5			2 106	21			(2 122)
CAPE VERDE	200		9	148	8			53
CUBA	15	45	1	1	51			9
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	68		3					71
ETHOPIA	49	31	69	24	(20)			145
INDIA	21	174	3	166	10			22
LESOTHO	143		7					150
LIBYAN ARAB JAMAHIRIYA	11		1					12
LIBYAN ARAB JAMAHIRIYA (CAD)	17		1	1				17
LIBYAN ARAB JAMAHIRIYA (CAHI)	12		1	1				12
LIBYAN ARAB JAMAHIRIYA (LAA)	19		1					20
MACAU	7			3				4
MOZAMBIQUE	17		1					18
MYANMAR	602		30					632
NIGERIA			2	37	2	57		20
NIGERIA (NAMA)	42		2					44
PAKISTAN	21		1					22
PERU	67		3					70
REGIONAL CAEP ET STUDY	34		2					36
SUDAN	83		8					91
SURINAME	6							6
SYRIAN ARAB REPUBLIC	417		94	47	5			459
TRINIDAD AND TOBAGO	8	38	32	106	10			(38)
UNMIK KOSOVO	401		54					455
URUGUAY		724	10	158	9			567
YEMEN	22		1					23
OTHER CAPS FUNDS *	1		1					2
TOTAL	2 540	1 012	350	2 802	96	57		1 061

* Summary of eight funds with year end balances and transactions during the year of less than five thousands dollars

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER TRUST FUNDS MANAGED ON BEHALF OF THIRD PARTIES
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	International Registry	Public Key Directory	Administrative Fee for Joint Financing Agreements	Danish Joint Financing Agreement Fund	Icelandic Joint Financing Agreement Fund	North Atlantic Height Monitoring System Fund	TOTAL 2006	TOTAL 2005
INCOME AND EXPENDITURE								
INCOME								
Assessed contributions				306	94		400	489
Contributions	200	85					285	800
Other Income								
Administrative fee revenue			479				479	480
Interest income	3	32	10	31	64	110	250	127
User charges				5 702	28 417	386	34 505	35 676
Miscellaneous								150
TOTAL INCOME	203	117	489	6 039	28 575	496	35 919	37 722
EXPENDITURE								
Salaries and common staff costs (including expert fees)	149	680	301				1 130	498
General operating expenses	6						6	
Travel	3	4	11			5	23	44
Service Costs								
Estimated service costs for current year				6 372	29 410	840	36 622	32 919
Settlement of service costs for prior year				(184)	2 260	411	2 487	1 065
Other	17		285	47			349	420
TOTAL EXPENDITURE	175	684	597	6 235	31 670	1 256	40 617	34 946
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	28	(567)	(108)	(196)	(3 095)	(760)	(4 698)	2 776
BALANCE OF FUNDS								
Adjustment of prior year's unliquidated obligations/ expenditure		(54)					(54)	
Fund balances, beginning of period	47	709	15	1 466	5 821	1 941	9 999	7 223
BALANCE OF FUNDS, END OF PERIOD	75	88	(93)	1 270	2 726	1 181	5 247	9 999
ASSETS, LIABILITIES AND FUND BALANCES								
ASSETS								
Cash and term deposits	214	306	172	716	1 196	1 300	3 904	5 307
Accounts receivable								
Assessments receivable				15	2		17	
Advances to servicing Governments								2 065
Inter-fund balances			14	3	6	11	34	39
Accounts receivable and advances	1	1	100	1 012	5 026	71	6 211	5 647
TOTAL ASSETS	215	307	286	1 746	6 230	1 382	10 166	13 058
LIABILITIES								
Unliquidated obligations		42					42	3
Accounts payable	1		64				65	74
Inter-fund balances	139	177	315				631	321
Credits to contracting Governments (Schedule D.1)				42	1 502		1 544	2 110
Credits to servicing Governments				434	2 002	201	2 637	551
TOTAL LIABILITIES	140	219	379	476	3 504	201	4 919	3 059
BALANCE OF FUNDS								
Represented by:								
Cumulative surplus	75	88	(93)	1 137	2 452	1 181	4 840	9 687
Reserved surplus				133	274		407	312
TOTAL BALANCE OF FUNDS	75	88	(93)	1 270	2 726	1 181	5 247	9 999
TOTAL LIABILITIES AND BALANCE OF FUNDS	215	307	286	1 746	6 230	1 382	10 166	13 058

INTERNATIONAL CIVIL AVIATION ORGANIZATION

SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS
IN RESPECT OF DANISH JOINT FINANCING AGREEMENT
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of Danish Kroner)

	Balances at beginning of period (Credits)	Assessments for 2006	Contributions received	Transfer from (to) Icelandic Joint Financing Agreement	Balances at end of period Receivable	(Credits)
BELGIUM	(102)	(4)		(14)		(92)
CANADA	(65)	119		52	2	
CUBA	(4)					(4)
DENMARK		10		10		
EGYPT		3		3		
FINLAND	(21)	4				(17)
FRANCE		103		103		
GERMANY		185		185		
GREECE	(29)	6				(23)
ICELAND		35		35		
IRELAND		32		32		
ITALY		49		49		
JAPAN	(31)	9				(22)
KUWAIT	(3)	5		2		
NETHERLANDS		80			80	
NORWAY		4		4		
RUSSIAN FEDERATION	(85)	16				(69)
SINGAPORE	(40)	29				(11)
SLOVAKIA						
SPAIN	(11)	11				
SWEDEN		9		9		
SWITZERLAND		25		25		
UNITED KINGDOM		310		310		
UNITED STATES		787		787		
	(391)	1 827		1 592	82	(238)
Equivalent in U.S. dollars	(62)	306		271	15	(42)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

SCHEDULE OF ASSESSMENTS, BALANCES RECEIVABLE AND CREDITS TO CONTRACTING GOVERNMENTS
IN RESPECT OF ICELANDIC JOINT FINANCING AGREEMENT
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	Balances at beginning of period (Credits)	Assessments for 2006	Contributions received (Refunded)	Transfer to (from) Danish Joint Financing Agreement	Balances at end of period Receivable	Balances at end of period (Credits)
BELGIUM		2		(2)		
CANADA	(211)	7	(195)	9		
CUBA	(3)					(3)
DENMARK	(12)	1		2		(9)
EGYPT	(5)			1		(4)
FINLAND	(19)	1				(18)
FRANCE	(58)	9		17		(32)
GERMANY	(159)	(2)		31		(130)
GREECE	(23)					(23)
ICELAND	(42)	1		6		(35)
IRELAND	(21)	(1)		5		(17)
ITALY	(13)	1		8		(4)
JAPAN	(24)	1				(23)
KUWAIT	(8)					(8)
NETHERLANDS		1	1			
NORWAY	(11)	2		1		(8)
PAKISTAN		5	3		2	
RUSSIAN FEDERATION	(30)					(30)
SINGAPORE	(13)	9				(4)
SLOVAKIA						
SPAIN	(13)					(13)
SWEDEN	(23)	2		1		(20)
SWITZERTLAND	(26)	7		4		(15)
UNITED KINGDOM	(473)	9		50		(414)
UNITED STATES	(861)	39		130		(692)
	(2 048)	94	(191)	263	2	(1 502)

SCHEDULE D.1 (continued)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

INTERNATIONAL FINANCIAL FACILITY FOR AVIATION SAFETY FUND
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands United States dollars)

INCOME AND EXPENDITURE	GENERAL FUND	ASSOCIATE EXPERT SCHEME	TOTAL 2006	TOTAL 2005
INCOME				
Contributions	685		685	779
Earmarked contributions				128
Other income				
Interest income	119	3	122	70
TOTAL INCOME	804	3	807	977
EXPENDITURE				
Salaries and common staff costs		31	31	76
General operating expenses	40		40	34
Grants	95		95	516
Other	8		8	8
TOTAL EXPENDITURE	143	31	174	634
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURI	661	(28)	633	343
BALANCE OF FUNDS				
Fund balances, beginning of period	2 091	94	2 185	1 842
BALANCE OF FUNDS, END OF PERIOD	2 752	66	2 818	2 185
ASSETS, LIABILITIES AND FUND BALANCES				
ASSETS				
Cash and term deposits	2 792	66	2 858	2 223
TOTAL ASSETS	2 792	66	2 858	2 223
LIABILITIES				
Inter-fund balances	40		40	38
TOTAL LIABILITIES	40		40	38
BALANCE OF FUNDS				
Represented by:				
Cumulative surplus	2 752	66	2 818	2 185
TOTAL BALANCE OF FUNDS	2 752	66	2 818	2 185
TOTAL LIABILITIES AND BALANCE OF FUNDS	2 792	66	2 858	2 223

Certified

Richard J. Barr
Chief, Finance Branch

Approved:

Ruwantissa Abeyratne
Acting Secretary, IFFAS Governing Body

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of United States dollars)

1. The Organization's Mandate

The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations system established by the Convention on International Civil Aviation signed on 7 December 1944. Its aims and objectives are to develop the principles and techniques of international air navigation and to foster the planning and development of international air transport.

2. SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

a) Basis of Presentation

The financial statements are presented in compliance with the United Nations System Accounting Standards (UNSAS), which provide a framework for accounting and financial reporting in the United Nations system.

The financial statements are presented in thousands of United States (U.S.) dollars unless otherwise indicated, and are in accordance with the provisions of the ICAO Financial Regulations.

b) Fund Grouping

The accounts of the Organization are maintained on a 'fund accounting' basis, with separate funds established for general and specific activities under the governance of the Council of ICAO. The Funds are established and administered in accordance with the Financial Regulations adopted by the Council and the Assembly.

The Funds have been grouped for presentation purposes, and the financial statements are shown on a combined basis after the elimination of all interfund balances, income and charges. Their presentation on a combined basis does not imply that the various separate Funds can be intermingled in any way, since resources of one Fund may not be utilized for the purposes of another Fund.

The **ICAO Funds** comprise the Regular Programme General Fund, the Working Capital Fund, as well as Other Proprietary Funds, which include the funds established for supporting the Technical Co-operation Programme, Special Accounts/Funds for cost-recovery and revenue-generating activities, and activities funded by voluntary contributions. The General Fund is financed by contributions from Contracting States according to the scale of assessment determined by the Assembly, by miscellaneous income, and by any advances made from the Working Capital Fund. The Working Capital Fund was established by the Assembly for purposes of making advances as necessary to the General Fund and other Funds to finance budgetary appropriations pending receipt of contributions from Contracting States.

Other proprietary Funds include Funds for supporting the Technical Co-operation Programme comprising the Administrative and Operational Services Cost Fund (AOSC Fund), which was established under the provisions of Article IX of the ICAO Financial Regulations. The AOSC Fund is utilized to meet the costs of administration and operation of technical co-operation programmes. This Fund is primarily financed from administrative overhead charges to the United Nations Development Programme (UNDP), Trust Funds and Management Service Agreements, and Civil Aviation Purchasing Service Funds. Also, included is the TCB Efficiency/Effectiveness Fund established for the use of a portion of the AOSC Fund annual surplus of the preceding year to improve the Technical Cooperation Bureau's efficiency and effectiveness.

The **Technical Co-operation Programme** (TCP) Funds reflect the technical co-operation projects administered by ICAO on behalf of third parties and financed by governments and other contributors. They include United Nations Development Programme (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 programme comply with both ICAO and UNDP directives. Trust Fund 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 Cooperation agreements referred to as Lump Sum Contracts with Contracting 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 Administrative and Operational Services Cost (AOSC) Fund.

Other Trust Funds comprise funds for special activities managed by ICAO on behalf of third parties, including:

i) The **International Registry Account** which was previously called the Preparatory Commission of the International Registry Account was established by the Council in 2001. At the 161st Session of the Council (C-DEC 161/9), the Council accepted the responsibility of guiding and supervising the work of the Preparatory Commission of experts to perform the preliminary work regarding the establishment of the Authority of the International Registry and to administer the funds to be made available for the Preparatory Commission. The International Registry Protocol took effect on 1 March 2006 (State letter reference LE 3/41-06/05) and is a self-funding mechanism through user fees on a cost recovery basis in accordance with Article XX(3) of the Aircraft Protocol. Funding for the work of the International Registry is provided by voluntary contributions from States and from other interested private parties.

ii) The **Public Key Directory Fund (PKD**) is a cost-recovery fund established by the Council (C-DEC 174/1) in 2005 to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. It includes the establishment of a public key directory under the aegis of ICAO to manage exchange of electronic keys for decryption of the digital signatures imbedded in the 'e-passports'.

iii) The **Administrative Fee for Joint Financing Agreements** was established by the Council (C-DEC 136/22) to recover, through an administrative fee, the full costs incurred by ICAO for facilities and services provided for the administration of the Danish and Icelandic Joint Financing Agreements. It is also used to recover costs of administering the North Atlantic Height Monitoring System Fund.

iv) The **Danish and Icelandic Joint Financing Agreements** 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 user charges and assessments on Contracting governments.

v) the **North Atlantic Height Monitoring System Fund** was established in 1995 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 through user charges on all civil aircraft making crossings of the North Atlantic.

vi) The **International Financial Facility for Aviation Safety (IFFAS) Fund** was established by the Council in 2002, in accordance with the principles and guidelines contained in Assembly Resolution A33-10, with the objective of financing safety-related projects for which States cannot otherwise provide or obtain the necessary financial resources.

c) **Income Recognition**

i) **Assessed Contributions**

Income from assessed contributions represents a legal obligation of Contracting States, which is recognized as income in the year for which the assessment is levied. No provision is made for delays in the collection of assessed contributions.

ii) **Contributions and Earmarked Contributions**

Income from such contributions are recognized when cash is received, except when otherwise specified by agreement.

iii) **User Charges**

Income from user charges is recognized on an accrual basis.

d) **Expenditure Recognition**

Expenditure includes the amounts for goods supplied and services rendered, as well as amounts of legal obligations arising from orders placed and contracts awarded during the financial period for which funds have been provided in approved budgets of the current year. The amount pertaining to the outstanding legal obligation for goods and services not yet received are reflected as liabilities for unliquidated obligations. Any unliquidated obligation remains from twelve to twenty four months after the end of the financial period of its establishment, and when no longer valid, is cancelled and credited to surplus and is reflected as an adjustment of prior year's unliquidated obligations.

Under joint financing agreements, service costs for the current year are estimated by the Governments providing the services and approved by the Council. Adjustments to estimated service costs are approved by Council for a given year and are accounted for in the year of settlement.

e) **Foreign Currencies**

Transactions are carried out in a number of currencies. With the exception of those pertaining to Other Trust Funds, transactions during the year are recorded in U.S. dollars at the United Nations operational rate of exchange (UNORE) effective at the time of the transactions and monetary balances at the end of the year are expressed in U.S. dollars at the UNORE effective 31 December. The transactions in the Other Trust Funds are translated in conformity with arrangements agreed by the parties.

The Organization enters into derivative financial instruments in the form of forward currency contracts to manage the foreign exchange rate exposure of the Canadian dollars and the Euros so as to stabilize costs at the budgeted rate of exchange. The difference between the UNORE and the forward purchase contract rate is charged to expenditure when the contract is exercised. At the end of the year, any unrealized gain and loss resulting from the difference between the UNORE and the rate of exchange negotiated in forward contracts held for hedging purposes and not yet exercised, sold or terminated at the end of the year is recorded as an asset or liability relating to derivatives and the corresponding amount is reported as reserved surplus.

Purchase Orders pertaining to CAPS and MSA agreements are sometimes denominated in currencies other than US dollars. In order to limit exposure to currency fluctuations, a policy on hedging was adopted in 2003, whereby funds are purchased in the currency of the commitment at the time that the Purchase Order is issued, in those cases where currency fluctuation could have a material impact on the financial position. An exchange gain or loss is recognized equivalent to the difference between the UN rate of exchange and the spot rate in effect on the date that the funds are purchased.

f) **Contributions in Kind**

The Organization does not record contributions in kind in the accounts. The estimated fair value of contributions in kind are disclosed in the notes to the financial statements.

g) **Employee End of Service and Post-retirement Benefits**

The Organization's employees are entitled, under their conditions of employment, to payment for unused annual leave, as well as termination and repatriation benefits based on the number of years of service. In addition, the Organization provides certain health care benefits to eligible retirees. The Organization does not recognize in its financial accounts the liabilities for after-service health insurance costs or for other types of end-of-service payments payable to staff members when they leave the Organization. Therefore, ICAO has not created any reserve to fund these liabilities. Such expenses are budgeted for in the annual budget on a funding basis and the actual costs incurred in each financial period are reported as current year expenditure when staff members separate and payments become due.

h) **Appropriations**

Appropriations carried over to the following year are presented in the reserved surplus.

i) **Non-Expendable Property (NEP)**

The cost of NEP, which includes furniture, vehicles, computers and other office equipment, is charged to expenditure in the year the items are ordered. NEP is defined as any item having a cost of five thousand dollars or more and whose life expectancy exceeds one financial year. The cost of non-expendable property includes items held at the ICAO Headquarters in Montreal as well as those held at the seven Regional Offices. These items and other items are owned by the Organization, which exercises full control over their acquisition, physical location, use and disposal.

3. CASH AND TERM DEPOSITS

As at 31 December 2006, the term deposits had an average interest rate of 5.24% (4.26% in 2005) and an average term maturity of 58 days (39 days in 2005).

	2006	**2005**
Cash in banks	79 516	50 182
Term deposits	88 800	95 537
Total	$ 168 316	$ 145 719

Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

4. GENERAL FUND ASSESSED CONTRIBUTIONS RECEIVABLE FROM CONTRACTING STATES

The aging of assessed contributions receivable as at 31 December 2006 and 2005 is summarized as follows:

Years	2006	2005
1982-2000	$ 8 020	$ 8 391
2001	448	517
2002	544	621
2003	604	655
2004	508	677
2005	779	-
Total previous years	10 903	10 861
Current year	9 499	1 669
Total Assessed Contributions Receivable	20 402	12 530
Working Capital Advances Receivable	7	11
Total	$ 20 409	$ 12 541

5. ACCOUNTS RECEIVABLE AND ADVANCES

The balance of accounts receivable and advances comprises:

	2006	2005
Employees	2 187	1 817
UN Agencies	3 420	3 178
User Charges	6 198	5 629
Others	3 379	5 459
Total	15 184	16 083

6. EXPENSES RECOVERABLE FROM AND DUE TO THE REGIONAL BODIES OF AFCAC, LACAC AND ECAC

ICAO provides secretariat services for the African Civil Aviation Commission (AFCAC), the Latin American Civil Aviation Commission (LACAC), and the European Civil Aviation Conference (ECAC). The costs are met initially from the General Fund and the expenses are recoverable from the respective Regional Bodies.

The net amounts recoverable from or due to the Regional Bodies for all transactions effected on their behalf by ICAO are shown below:

	AFCAC	LACAC	ECAC
Balance due from (to) at 31 December 2005	$ 1 088	$ 22	$ (950)
Add: Payments made in 2006	249	162	2 935
Less: Amounts received in 2006	(417)	(253)	(3 002)
Balance due from (to) at 31 December 2006	$ 920	$ (69)	$ (1 017)

7. DERIVATIVES FOR EXCHANGE RISK HEDGING

a) Forward Purchase of Currency

In 2004, ICAO entered into forward purchase contracts for the purchase of CAD$ 170 163 for the 2005 to 2007 triennium at an average exchange rate of CAD$ 1.32 to U.S.$ 1.00. In 2006, CAD$ 56 976 were received at an actual cost of U.S.$ 43 191.

In 2006, EURO € 3 239 were received at an actual cost of U.S.$ 3 994, to protect the budget of two Regional Offices that are being affected by the variation of the U.S. dollar vis-à-vis the Euro.

When covered by forward purchase contracts, disbursements are reflected at the forward rate rather than at the UNORE. Differences between the forward rate and the UNORE in respect of Canadian dollars forward purchased amounted to a credit of $ 7 171 in 2006 (a credit of $ 3 839 in 2005). Of the total amount, a credit of $ 6 454 (credit of $ 3 455 in 2005) is reflected in the expenditure of the Regular Programme and a credit of $ 717 (credit of $ 384 in 2005) is reflected in the AOSC Fund on the same basis, prorated on the basis of utilization of Canadian dollars and Euro forward purchased.

The notional amount of Canadian dollar and EURO forward contracts purchased in 2004, 2005 and 2006 for delivery during the period 1 January 2007 to 3 December 2007 are as follows:

Year	Canadian Dollars	U.S. Dollars	Average Rate	EURO	U.S. Dollars	Average Rate
2007	56 007	42 445	1.32	3 239	3 994	.826

As at 31 December 2006, the UNORE for the Canadian dollar and Euro were respectively 1.16 (1.17 in 2005) and 0.760 (0.845 in 2005). Applying these rates on the notional amounts of forward contracts held and not exercised resulted in an unrealized gain of $ 6 106 ($ 10 609 in 2005), which is recorded as a derivative asset and the corresponding amount as reserved surplus.

b) **Currency held for Hedging of TCP Procurement**

During 2006, no currency was purchased to hedge Purchase Orders for the Technical Co-operation Programme. Currency balances pertaining to hedges of prior years, amounting to EURO € 557 and CAD$ 146, were held in banks as at 31 December 2006.

8. CONTRIBUTIONS IN KIND

a) **Regular Programme**

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 also bears the major part of the cost of operations and maintenance of the Headquarters premises. Contributions in kind are not recorded in the accounts but presented for information purposes below.

The estimated fair value of the contributions in kind, based on the lease contracts or on the estimated market value when there is no lease, is shown as follows:

	2006	2005
Canada	$ 12 493	$ 11 413
Egypt	120	120
France	626	554
Peru	49	41
Senegal	42	37
Thailand	906	1 082
	$ 14 236	$13 247

The Government of Mexico provides a cash contribution towards the rental and utilities costs of the Regional Office in Mexico City. The contribution in 2006 amounted to U.S.$ 98 ($ 92 in 2005). Included in the contribution from Canada is an amount equivalent to U.S.$ 1 467 from the Government of Quebec towards provision of premises in the Bell Tower office for the Headquarters in Montreal.

b) **Other ICAO Proprietary Funds**

Below is the value of contributions in kind (mainly composed of services and travel) provided by States for each of the following group of Funds:

	2006	2005
Aviation Security Plan of Action	$ 545	$ 719
ICAO Universal Safety Oversight Audit Programme Fund	$ 870	$ 367

9. END OF SERVICE AND POST-RETIREMENT BENEFITS

a) End of service benefits

End of service benefits comprise termination indemnity, repatriation grant, removal of personal effects, travel on separation and accrued leave. The liability in respect of the Regular Programme staff are estimated at $ 13 700 as at 31 December 2006 ($ 13 400 as at 31 December 2005). The estimate for leave and termination indemnity is based on historical experience over the last 6 years. The other estimates for separation payments are based on the actual entitlements for professional staff at 31 December 2006, valued at the average historical cost of the benefit. The actual amount paid in the current year amounted to $ 1 500 ($ 1 391 in 2005).

End of service benefit entitlements accrued to AOSC Fund staff are estimated at $ 4 000 as at 31 December 2006 ($ 4 300 as at 31 December 2005). The actual amount paid for the year ended 31 December 2006 was $ 221 ($ 40 for 2005).

b) Post-retirement benefits

The contingent liability resulting from the after-service health insurance that the Organization may have to pay to its staff members in future years has been determined by actuarial valuation. The actuarial valuation of the contingent liability for health benefits in future years (including both medical and dental care) is estimated at $ 44 300 ($ 36 200 in 2005). The liability as at 31 December 2006 is broken down between the Regular Programme for an amount of $ 38 500 and the AOSC Fund for $ 5 800.

Health insurance coverage is available to qualified retired employees. The total payment made in 2006 was $ 717 for health care benefits in respect of all eligible retirees ($ 663 in 2005). The cost is shared between the Regular Programme Budget and the AOSC Fund with a pro-rata share of $ 603 and $ 114 respectively for 2006.

10. PARTICIPATION IN THE UNITED NATIONS JOINT STAFF PENSION FUND (UNJSPF)

ICAO is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the organization to the UNJSPF consists of its mandated contribution at the rate established by the United Nations General Assembly 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. At the time of this report the United Nations General Assembly has not invoked this provision.

The payments made to UNJSPF relating to the contributions of the participants and the Organization for 2006 amounted to $ 16 456 ($ 15 765 in 2005).

11. LONG-TERM LEASE COMMITMENTS

As at 31 December 2006, the Organization had an average commitment of approximately $ 3 707 (equivalent to CAD$ 4 300) per annum for 10 years, for a total commitment of $ 37 069 (equivalent to CAD$ 43 000), relating to its share of the basic rent and operating and maintenance costs of the Headquarters premises.

As at 31 December 2006, the Organization had outstanding purchases and long term lease agreements for the supply of equipment and rental of facilities which are due between 2007 and 2011. The total commitment amounts to $ 143. The committed payments under leases for telephone systems, equipment and photocopier will be as follows:

2007	2008	2009	2010	2011	TOTAL
$ 89	$ 39	$ 25	$ 4	$ 2	$ 159

12. COMMITMENTS AGAINST FUTURE FINANCIAL PERIODS

The future or forward commitments that were not accrued in the accounts of the current period, as at 31 December 2006 for the UNDP Fund comprise internationally recruited and national staff contracts amounting to $ 2 461 and sub-contracts amounting to $ 7.

During the year, commitments pertaining to other TCP project funds were entered into against future financial periods for the following:

a) Regional (REDDIG) Trust Fund: $ 462;
b) Guatemala MSA: $ 263;
c) Brazil MSA:$ 73; and
d) Others: $ 20.

Commitments relating to international and national staff contracts as at 31 December 2006 for the Trust Funds and MSAs amounted to $ 10 284.

13. CONTINGENT LIABILITIES

A number of labour-law related legal actions have been brought against the Organization in relation to Technical Co-operation Projects. The claims amount to approximately $ 0.7 million. In the opinion of management, the final outcome of these claims is not determinable and, accordingly, these items are not recorded in the accounts. Settlements, if any resulting from the resolution of these claims will be accounted for in the year in which the liability is determined.

14. NON-EXPENDABLE PROPERTY

The cost of non-expendable property owned by the Organization as at 31 December 2006 is composed of the following:

	Opening Balance 1 January 2006	**Additions**	**Disposals**	**Closing Balance 31 December 2006**
Furniture	42			42
Equipment	2 081	52	(258)	1 875
Vehicles	336	48	(45)	339
Total	2 459	100	(303)	2 256

No depreciation is calculated on NEP since the cost of these items is directly charged to expenditure.

15. OTHER EXPENDITURES

Other expenditures presented in the Statement of Income and Expenditure and Changes in Fund Balances of the AOSC Fund include an amount of $ 536 pertaining to losses on currencies on a purchase contract negotiated in Euros and a possible loss on contributions received related to specific technical cooperation projects.

— — — — — — — —

PART IV: ANNEXES (UNAUDITED)

Annexes A to D: Relates ICAO Proprietary Funds

Annex A Revenue-Generating and Cost Recovery Accounts

1. The **Air Navigation Cost Recovery Account** was established in 2002 by the Secretary General in accordance with Regulation 7.2 for the sale of services and publications relating to Air Navigation.

2. The **Air Transport Cost Recovery Account** was established by the Council in 2001 to finance income and expenditures relating to specific services provided by the Air Transport Bureau to Contracting States and others.

3. The **Conference and Other Facilities Fund** was established by the Council (C-DEC 157/2) in 1999 to account for the income and the costs of administration, operation and refurbishment relating to the rental of the conference, garage and cafeteria facilities.

4. **Dangerous Goods Activities (DAGWOODS).** In order to achieve intermodal harmonization in the transport of dangerous goods, whilst recognizing the work involved in maintaining complex and voluminous documents, Council approved the use of excess miscellaneous income (C-DEC 166/2) to fund the development of a dangerous goods document database. A special account was created for revenue generating activities relating to dangerous goods, including costs and revenues relating to the enhancement of DAGWOODS and any costs and revenues from recoveries for seminars, workshops or support of USOAP.

5. The **Electronic Publishing Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2 for the production and sale of electronic publications.

6. The **Language Proficiency Fund** was established in 2004 by the Secretary General under Financial Regulation 7.2, to finance expenditure and collect revenues relating to specific aviation language proficiency products and services provided by the Air Navigation Bureau (ANB) to Contracting States and others.

7. The **Language Services Account** for the provision of interpretation, translation and printing services was established by the Council (C-DEC 162/2) in 2001 to administer the income and the expenditure related to the provision of such services to other international organizations, government agencies and national delegations.

8. The **Special ICAO Safety Oversight Audit Account** was established in 2004 by the Secretary General under Financial Regulation 7.2 to finance expenditure and collect revenue from provision of oversight audit services to Contracting States on a user-pays basis.

9. The **Special Public Information Projects Account** was established in 2002 by the Secretary General of ICAO in accordance with Financial Regulation 7.2, to record transactions relating to self-financing activities of the External Relations and Public Information Office of ICAO.

Annex B Aviation Security Trust Funds

These comprise earmarked funds as well as Special Accounts/Funds established in 2002 to reflect Council approval of the Aviation Security Plan of Action (ASPA), comprising 12 projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from general as well as earmarked contributions.

Annex C Others

1. The **Arabic Language Services Fund** reflects the financial contributions received from certain Contracting States towards the cost of extension of Arabic language services in ICAO.

2. The **Chinese Language Services Fund** reflects the balance of funds remaining from the financial contribution made by the Government of the People's Republic of China to assist in the financing of the Chinese language unit in ICAO.

3. The **Edward Warner Award Fund** was established to defray the cost of awards to individuals or institutions who have made an outstanding contribution to the development of international civil aviation.

4. The **France Associate Experts Scheme** was established in 1979 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of France to provide and fund Associate Experts.

5. The **France Junior Professional Officers Fund** was established in 2006. France provides and funds a Junior Professional Officer for appointment with ICAO.

6. The **ICAO Air Navigation Commission (ANC) Laurel Award Fund** was approved by the Council in 1999 for the ANC Laurel Award established by the ANC. The award is to be given every two years to an individual or group having significantly contributed to the work of the ANC, through its panels, study groups, worldwide meetings or any other appropriate manner.

7. The **Italy Junior Professional Officers Fund** was established in 2005 as the extension to an agreement initially entered into with the Government of Italy under the Associate Expert Scheme Programme of Technical Co-operation. Italy provides and funds a Junior Professional Officer for appointment with ICAO.

8. The **Netherlands Associate Experts Scheme** was established in 1999 under the Expert Scheme Programme of Technical Co-operation as a result of an agreement signed with the Government of Netherlands to provide and fund Associate Experts.

9. The **Republic of Korea Junior Professional Officers Fund** was established in 1991 as a result of an agreement by which the Government of the Republic of Korea provides and funds Junior Professional Officers for appointment with ICAO.

10. The **Incentive for Settlement of Arrears Account** was established in 1999 by Resolving Clause 2 of Assembly Resolution A32-27, and the continuation of the scheme was confirmed by the 35th Session of the Assembly in Resolution A35-27. Resolving Clause 3 of Resolution A35-27, which became effective on 1 January 2005, provides that part of payments from Contracting States with arrears of three full years or more will be retained in a separate account to finance expenditure on aviation security activities, and new and unforseen projects related to aviation safety, and/or to the enhancement of the efficient delivery of ICAO programmes. Funds are provided from transfers of the Regular Programme surplus.

11. The **Information and Communication Technology (ICT) Fund** was established in 2001 by Assembly Resolution A33-24 to facilitate the modernization of ICAO's financial systems, the enhancement of ICAO's Web sites and consolidation of file servers.

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REVENUE GENERATING AND COST RECOVERY SPECIAL ACCOUNTS/ FUNDS
SCHEDULE OF INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	Air Navigation Cost Recovery Account	Air Transport Cost Recovery Account	Conference and Other Facilities Fund	Dangerous Goods Activities	Electronic Publishing Account	Language Proficiency Fund	Language Services Account	Special ICAO Safety Oversight Audit (SOA) Account	Special Public Information Projects Account	TOTAL 2006	TOTAL 2005
INCOME AND EXPENDITURE											
INCOME											
Contributions	46							27		73	35
Other Income											
Interest income		21	32	3	34		1		4	95	46
Other											2
Rental of facilities			546							546	827
Revenue - generating activities		586		23	594		489			1 692	1 076
TOTAL INCOME	46	607	578	26	628		490	27	4	2 406	1 986
EXPENDITURE											
Salaries and common staff costs	28	98	374	21	403		158	8		1 090	905
General operating expenses		121	84				297			502	349
Travel	12				8	6		39		65	40
Equipment			22		3					25	16
Other		36	4		66				8	114	63
TOTAL EXPENDITURE	40	255	484	21	480	6	455	47	8	1 796	1 373
Net excess (shortfall) of income over expenditure	6	352	94	5	148	(6)	35	(20)	(4)	610	613
BALANCE OF FUNDS											
Adjustment of prior year's unliquidated obligation/expenditure							1			1	(18)
Fund balance, beginning of period	5	421	706	(3)	714	8	81	21	86	2 039	1 444
BALANCE OF FUNDS, END OF PERIOD	11	773	800	2	862	2	117	1	82	2 650	2 039
ASSETS, LIABILITIES AND FUND BALANCES											
ASSETS											
Cash and term deposits	11	551	740	58	758	4	91	3	82	2 298	1 575
Accounts receivable											
Inter-fund balances		81	5	50	83		18			237	61
Receivables		164	109		130		27			430	715
TOTAL ASSETS	11	796	854	108	971	4	136	3	82	2 965	2 351
LIABILITIES											
Unliquidated obligations		6		17	19			2		44	34
Accounts payable		1	9	87	60		2			159	100
Inter-fund balances		16	45	2	30	2	17			112	178
TOTAL LIABILITIES		23	54	106	109	2	19	2		315	312
BALANCE OF FUNDS Represented by:											
Cumulative Surplus	11	773	800	2	862	2	117	1	82	2 650	2 039
TOTAL BALANCE OF FUNDS	11	773	800	2	862	2	117	1	82	2 650	2 039
TOTAL LIABILITIES AND FUND BALANCES	11	796	854	108	971	4	136	3	82	2 965	2 351

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

AVIATION SECURITY TRUST FUND

	AVIATION SECURITY PLAN OF ACTION									OTHER EARMARKED AVSEC FUNDS				SUB-TOTAL	
	EARMARKED TRAINING PROGRAMME	ENHANCED MECHANISM	FRANCE JPO	FRANCE PROTOCOLE EXPERT	KOREA EXPERT	NETHERLANDS	UNITED KINGDOM	UNITED STATES	SUB-TOTAL	AWARENESS TRAINING PROGRAMME	FRANCE PROTOCOLE COOPERATION	NATIONAL PROJECTS	STANDARDIZED TRAINING PROGRAMME	2006	2005
INCOME AND EXPENDITURE															
INCOME															
Contributions		2 612							2 612					2 612	3 432
Earmarked Contributions				256	310		137	253	956	87				1 043	956
Other Income															
Interest income	40	306	4	3	5	2			360		8	10	20	398	285
Miscellaneous	127	214							341					341	194
TOTAL INCOME	167	3 132	4	259	315	2	137	253	4 269	87	8	10	20	4 394	4 867
EXPENDITURE															
Salaries and common staff costs	25	2 222	72	164	107		136	253	2 979		12		13	3 004	3 451
Travel	22	934							956		157			1 113	1 462
Administrative overhead charges			37						37					37	
Equipment		32							32					32	20
Other	1	157							158					158	119
TOTAL EXPENDITURE	48	3 345	109	164	107		136	253	4 162		169		13	4 344	5 052
Net excess (shortfall) of income over expenditure	119	(213)	(105)	95	208	2	1		107	87	(161)	10	7	50	(185)
BALANCE OF FUNDS															
Adjustment to prior year's unliquidated obligation/expenditure	2	125							127	1	6			134	22
Transfers to/from other funds		(530)							(530)					(530)	
Fund balances, beginning of period	735	6 367	128	56	67	42	(1)	155	7 549	(2)	214	205	429	8 395	8 558
BALANCE OF FUNDS, END OF PERIOD	856	5 749	23	151	275	44		155	7 253	86	59	215	436	8 049	8 395
ASSETS, LIABILITIES AND BALANCE OF FUNDS															
ASSETS															
Cash and term deposits	868	6 518	22	172	64	44	7		7 695	86	78	214	435	8 508	9 065
Accounts receivable															
Inter-fund balances	1	112	1		220		2	6	342					342	199
Receivables and advances	2	16					3	253	274			1	1	276	206
TOTAL ASSETS	871	6 646	23	172	284	44	12	259	8 311	86	78	215	436	9 126	9 470
LIABILITIES															
Unliquidated obligations	15	80		3				2	100		7			107	174
Accounts payable		210						80	290					290	269
Inter-fund balances		607		18	9		12	22	668		12			680	632
TOTAL LIABILITIES	15	897		21	9		12	104	1 058		19			1 077	1 075
BALANCE OF FUNDS															
Represented by:															
Cumulative Surplus*	856	5 749	23	151	275	44		155	7 253	86	59	215	436	8 049	8 395
TOTAL BALANCE OF FUNDS	856	5 749	23	151	275	44		155	7 253	86	59	215	436	8 049	8 395
TOTAL LIABILITIES AND BALANCE OF FUNDS	871	6 646	23	172	284	44	12	259	8 311	86	78	215	436	9 126	9 470

* an amount of $ 530 is reserved in the Enhanced Mechanism Cumulative Surplus to finance the integration of part of the AVSEC Plan of Action into the Regular Programme.

ANNEX B
(unaudited)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

OTHER ICAO PROPRIETARY FUNDS
INCOME, EXPENDITURE, ASSETS, LIABILITIES AND FUND BALANCES
FOR THE PERIOD ENDING 31 DECEMBER 2006

(in thousands of United States dollars)

	Arabic Language Services Fund	Chinese Language Services Fund	Edward Warner Award Fund	France Associate Experts Scheme	France Junior Professional Officers Fund Groupe de L'Environnement	ICAO ANC Laurel Award Fund	Italy Junior Professional Officers Fund	Netherlands Associate Experts Scheme	Republic of Korea Junior Professional Officers Fund	Incentive for Settlement of Arrears Account	Information and Communication Technology (ICT) Fund	TOTAL 2006	TOTAL 2005
INCOME AND EXPENDITURE													
INCOME													
Contributions				387	111				5			503	111
Earmarked contributions													149
Other Income													
Interest income	1	1	1	6	1		3			132	112	257	163
TOTAL INCOME	1	1	1	393	112		3		5	132	112	760	423
EXPENDITURE													
Salaries and common staff costs		28		134			78			79	423	742	434
General operating expenses													266
Travel							6				10	16	52
Administrative overhead charges							10					10	4
Equipment											6	6	26
Other				1			1					2	2
TOTAL EXPENDITURE		28		135			95			79	439	776	784
Net excess (shortfall) of income over expenditure	1	(27)	1	258	112		(92)		5	53	(327)	(16)	(361)
BALANCE OF FUNDS													
Transfers to/from other funds										481	2 000	2 481	(377)
Adjustment of prior year's unliquidated obligation/expenditure										2		2	
Refund of Contributions													(11)
Fund balances, beginning of period	14	31	13	61		5	99	6	(5)	2 571	2 243	5 038	5 787
BALANCE OF FUNDS, END OF PERIOD	15	4	14	319	112	5	7	6		3 107	3 916	7 505	5 038
ASSETS, LIABILITIES AND FUND BALANCES													
ASSETS													
Cash and term deposits	15	14	14	330	112	5	17	6		2 692	3 928	7 133	5 193
Accounts receivable													
Inter-fund balances										476		476	85
Receivables and advances										7	10	17	12
TOTAL ASSETS	15	14	14	330	112	5	17	6		3 175	3 938	7 626	5 290
LIABILITIES													
Unliquidated obligations		10										10	15
Accounts payable										50		50	149
Inter-fund balances				11			10			18	22	61	88
TOTAL LIABILITIES		10		11			10			68	22	121	252
BALANCE OF FUNDS													
Represented by:													
Cumulative Surplus	15	4	14	319	112	5	7	6		2 842	3 916	7 240	4 695
Reserved Surplus										265		265	343
TOTAL BALANCE OF FUNDS	15	4	14	319	112	5	7	6		3 107	3 916	7 505	5 038
TOTAL LIABILITIES AND BALANCE OF FUNDS	15	14	14	330	112	5	17	6		3 175	3 938	7 626	5 290

ANNEX C
(unaudited)

REGULAR PROGRAMME GENERAL FUND
STATEMENT OF APPROPRIATION AND EXPENDITURE
AT BUDGET RATE BY MAJOR PROGRAMME - 2006
(in thousands of United States dollars)

Major Programmes	(1) Approved Appropriations (Res. A35-22 and SL 04/106)	(2) Carried-over from prior year Fin. Reg. 5.6 (C 176/14, C178/12)	(3) Increase in Appropriations (C 176/8, C176/14)	(4) Transfers among Major Programmes (Fin. Reg. 5.10) (C 179/17)	(5) Carry-over to 2007 (Fin. Reg. 5.6) (C 179/17)	(6) Total Adjusted Appropriations (1)+(2)+(3)+(4)+(5)	(7) Expenditure at Budget Rate	(8) Unobligated Balance at 31 December 2006 (6) - (7)
I. General Policy and Direction	1 114	145		143	(322)	1 080	1 072	8
II. Air Navigation	9 227	707		(169)	(1 011)	8 754	8 732	22
III. Air Transport	5 403	535	1 030	(254)	(745)	5 969	5 862	107
IV. Legal	1 119	260		(24)	(488)	867	865	2
V. Regional and Other Programmes	16 355	1 937		(312)	(2 126)	15 854	15 854	
VI. Administrative Support	25 731	1 229		(329)	(2 088)	24 543	24 543	
VII. Finance, External Relations/Public Information and Programmes Evaluation, Audit and Management Review	3 844	457		945	(1 814)	3 432	3 390	42
VIII. Universal Safety Oversight Audit Programme	3 027	1 130			(1 371)	2 786	2 786	
	65 820	6 400	1 030		(9 965)	63 285	63 104	181

	Approved Estimate	Actual Receipts
Miscellaneous Income	5 413	7 003

NOTE:

Expenditure in Canadian dollars is reflected at the budget rate of CAN$ 1.32 to US$ 1.00.

ANNEX D
(unaudited)

ANNEX E
(unaudited)

MEETINGS 2006
STATEMENT OF EXPENDITURES (*)
(in thousands of United States Dollars)

		(1) Site	(2) Budget	(3) Expenditures
MAJOR PROGRAMME II - AIR NAVIGATION			71	
DGCA/6		Montreal		27
Panel Meetings:	- OPSP/7	Montreal		6
	- AP/1	Montreal		2
MAJOR PROGRAMME III - AIR TRANSPORT			135	
Panel Meetings:	- ANSEP/6**	Montreal		0
AVSEC Panel:	- AVSECP/18	Montreal		12
Workshops/Seminars:	- FEPW	Dakar		10
	- AFCAC/ICAO Continental Meeting of Civil Aviation Statistics	Tunis		5
	- ICAO/ATAG/WB Development Forum	Montreal		1
	- WARFM**	Trinidad		0
	- Workshop on Air Tranport Regulation for the Eastern Caribbean States	Antigua		3
	- ICAO Noise Certification Workshop	Bangkok		8
	- CAR/SAM Seminar on Quality Management and Cost Recovery of MET Services	Santo Domingo		3
REG TFG:	- AFI TFG	Dakar		8
	- APA TFG	Bangkok		7
IETC/6**		Montreal		0
AH-DE**		Montreal		0
MAJOR PROGRAMME IV - LEGAL			105	
SG-MR/3		Montreal		7
SG-MR/4		Montreal		7
SG-MR/5		Montreal		7
MAJOR PROGRAMME V - REGIONAL AND OTHER PROGRAMMES			413	
ALLPIRG	- ALLPIRG/5**	Montreal		0
EANPG	- COG/35	Helsinki		3
	- EANPG/48	Paris		10
APANPIRG	- APANPIRG/17	Bangkok		10
GREPECAS	- ACG/6	Lima		5
	- AVSEC COMM/5	Buenos Aires		6
	- ATM/CNS/SG/5	Lima		18
	- AGA/AOP/SG/5	Montevideo		10
NAT Systems	- NAT EFG/12	Oslo		2
	- NAT SARSIG/4	Reykjavik		3
	- NAT SPG/42	Paris		5
	- NAT ATMG/28	Oslo		2
	- NAT EFG/13	Miami		6
	- NAT IMG/29	Lisbon		5

(*) Expenditures in Canadian dollars are reflected at the budget rate of Can.$1.32 to U.S. $1.00
(**) The total expenditure of meetings with expenditures under $1 000 is shown under one line at the bottom of the table.

ANNEX E
(unaudited)

	(1) Site	(2) Budget	(3) Total Expenditures
OTHER RPGs/SGs, IMPLEMENTATION MEETINGS AND SEMINARS/WORKSHOPS			
SAT/13	Canary Islands		2
Seminar ATS/MET/Pilot Coordination	Niamey		2
RVSM/RNAV/RNP TF/9	Nairobi		5
RVSM TF/10 Stakeholders**	Dakar		0
AFI Region Study Group on the Establishment of a Centralized AFI Region AIS Data Base	Johannesburg		3
RVSM/RNAV/RNP TF/11	Nairobi		6
ATMGE-RDGE/4**	Paris		0
ATMGE-RDGE/5**	Paris		0
WAFSOPSG/3	Paris		4
ADS-B SITF/5	New Delhi		2
ATM/AIS/SAR/SG/16**	Bangkok		0
ATNICG/1	Seoul		1
CNS/MET SG/10**	Bangkok		0
FIT-BOB/7 and FIT-SEA/4**	Bangkok		0
ATNS**	Chiang Mai		0
MET/ATM Seminar**	Bangkok		0
ICAO Regional AIG Workshop, APAC Region	Seoul		1
AIS/MAP TF/3**	Cairo		0
MID RMA Board/2	Bahrain		3
RVSM TF/12**	Cairo		0
Special Civil/Military Coordination	Sana'a		1
MIDANPIRG TF SG/2**	Cairo		0
MIDANPIRG Member States/3	Jeddah		2
CNS/MET SG/7	Cairo		2
ATM/SAR/AIS SG/8	Muscat		2
MID RMA Board/3	Muscat		1
C/CAR/WG/6	Cuba		7
C/CAR DCA/8	Curacao		10
E/CAR WG/30	Saint Lucia		7
E/CAR DCA/20	Miami		1
MEVA II - REDDIG	Lima		2
ICAO/ASPA Regional Seminar on SMS	Mexico		4
SAT/13	Canary Islands		4
Institutional Aspects/TF/3	Rio de Janeiro		2
4th International Conference CAR/SAM Regional Committee for Bird/Wildlife Hazard	Panama		2
Workshop on Emergency Plans and Emergency Operations Centres	Santiago		4
RVSM/RVSM NSPVP/AFI	Johannesburg		3
RVSM TF/9 and RVSM Core Team**	Nairobi		0
ICAO/SITA Seminar on New CNS Technologies for AFI Region	Nairobi		2
1st ICAO Training Course on SMS	Nairobi		1
RVSM TF/10 and Stakeholders	Dakar		5
RVSM/RNAV/RNP/TF/11	Nairobi		3
IFATCA Annual General Meeting	Johannesburg		2
Total expenditure of the above meetings marked with ** which have expenditures under $1 000			6
		724	302

(*) Expenditures in Canadian dollars are reflected at the budget rate of Can.$1.32 to U.S. $1.00
(**) The total expenditure of meetings with expenditures under $1 000 is shown under one line at the bottom of the table.

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 2006

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
2006

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MAIN POINTS

Financial statements and audit opinion will be issued without reservations.

1. This report contains the results of our audit of the financial statements of the International Civil Aviation Organization (ICAO), our compliance audit of its transactions, and our performance audits of certain programs and activities.

2. The audit opinion on the 2006 financial statements will be issued without reservation.

The new PACE system addresses most of our recommendations about the system components, yet some major challenges remain.

3. Our 2005 audit made recommendations regarding ICAO's human resources performance appraisal report system. Given the short amount of time that has passed and the complexity of the issues raised in our 2005 report, the overall progress in addressing our recommendations is satisfactory. The new performance appraisal system addresses most of our recommendations about the system components. However, it is too early to assess if the new system will be applied effectively or the extent to which it will be used by management as a tool to achieve results.

4. Further, some major challenges remain. These include establishing a clear definition of employee performance ratings, defining different levels of competencies, and training on how to rate and comment on performance. In addition, the Organization needs to establish a clear, consistent approach and format for operational planning to ensure that key tasks for staff are linked to operational plans and the business planning process and result in measurable performance.

The progress made to date regarding ICT operations is only a starting point for responding to our recommendations.

5. Our 2005 audit also expressed concerns about the appropriateness of the Information and Communication Technology (ICT) framework used by ICAO to support its financial operations. Despite some progress achieved in addressing our concerns, we found that the overall progress has been unsatisfactory during the past year.

6. Progress was made during the year to develop a proposed organizational structure for consolidating ICT operations. Service level agreements were drafted between the ICT section and the bureaus and other sections, and an IT Security Officer was hired. However, when we completed our work in April 2007, the proposed organizational structure had yet to be approved. Only 2 of the 12 service level agreements had been signed and the IT Security Officer has just started working at ICAO.

Modernization of the financial information systems

7. We noted many positive developments over the past year on the modernization of ICAO's financial systems. Alternative systems have been examined, and a contract was awarded to Agresso, a Tier 2 Enterprise Resource Planning software supplier, for the first phase of the modernization project. A project plan and schedule for implementation has been developed, including deliverables, responsibilities, and an anticipated timeframe for delivery.

8. It will be a significant challenge to the Organization to manage the modernization project and to ensure that security and financial controls are properly configured. With limited experience in managing a project as large and complex as the Agresso system, strong management of the project's implementation phase will be essential.

9. In accordance with Assembly Resolution A35-32, we determined that $440,355 of the expenditures incurred in 2006 for the modernization of financial and related systems were appropriately charged to the Information and Communication Technology Fund.

INTRODUCTION

1. This report contains the results of our audits of the International Civil Aviation Organization (ICAO). It includes observations and recommendations arising from our audit of the Organization's 2006 financial statements, the compliance audit of its transactions, and the performance audits of certain programs and activities.

2. We have prepared this report and the audit opinion in English, as we audited the English version of ICAO's financial statements.

SCOPE OF THE AUDIT

Scope of this year's attest audit

3. The scope of the audit was determined in compliance with Article XIII of the ICAO Financial Regulations and in accordance with the additional terms of reference governing the external audit. The Annex to those regulations lists the additional terms.

4. We conducted the audit in accordance with common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, and international auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. No restrictions were placed on the scope of our audit, and we obtained all the information and explanations we considered necessary.

6. The audit is not designed to, and normally does not, identify all matters that may be relevant to those charged with governance. Accordingly, this report includes only the governance matters that came to our attention in the course of the audit.

Scope of this year's performance audits

7. This year's performance audits included a follow-up on the implementation of the two action plans presented to the Council in response to our last year's report. Also, we updated the information on the modernization of ICAO's financial information systems and reviewed management action to address our previous recommendations.

ATTEST AUDIT RESULTS

The audit opinion on the 2006 financial statements will be issued without reservation.

8. We will issue an audit opinion without reservation on the 2006 financial statements following the Council's recommendation for the Assembly's final approval of the Organization's financial statements.

Unadjusted audit differences were not significant

9. In the normal course of an audit, adjustments arise that in our judgment could, either individually or in aggregate, affect the entity's financial reporting process. In this year's audit, unadjusted audit differences were not significant and were discussed with management.

There are no disagreements with management.

10. We are charged with reporting any disagreements with management over auditing, accounting, or disclosure matters that could, individually or in aggregate, significantly affect the financial statements or our auditor's report. We are also obliged to report whether we resolved any disagreements satisfactorily. There were no such matters to report.

We have not identified any matters related to fraud and illegal acts.

11. We are required to report on fraud and illegal acts involving senior management, as well as fraud and illegal acts (whether by senior management or other employees) that cause a more-than-trivial misstatement of the financial statements. We emphasize that it is management's responsibility to establish a control environment and maintain policies and procedures to help ensure the orderly and efficient conduct of the Organization's business. In determining which internal controls it will implement to prevent and detect fraud, management should consider the risk that the financial statements may be materially misstated as a result of fraud. Consistent with International Standard on Auditing #240, during the audit we considered the possibility that fraud or error, if sufficiently material, might affect our opinion on the financial statements. Our audit procedures did not identify any matters related to fraud and/or error that should be brought to the attention of those charged with governance.

We concur with management's judgments and accounting estimates.

12. Preparing the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations. The most significant estimates involve the unliquidated obligations, the estimated service costs for the current year, and end-of-service and post-retirement benefits. When considering the reasonableness of these estimates, we reviewed supporting working papers and documentation, performed recalculations, consulted with external parties as appropriate, and performed such other tests and procedures as considered necessary in the circumstances. We concur with management's judgments and find them consistent with the corroborating evidence.

There are no significant weaknesses in internal control to report.

13. As is our normal practice, we report our most significant observations and recommendations regarding weaknesses in internal controls in the Long Form Report. For 2006, we have none to report. However, we will provide management with written recommendations to improve existing internal accounting controls or financial and reporting practices.

The $440,355 of expenditures were appropriately charged to the Information and Communication Technology Fund.

14. Assembly Resolution A35-32 requires that we examine the expenditures incurred for the modernization of financial and related systems. We determined that $440,355 of the expenditures incurred in 2006 were appropriately charged to the Information and Communications Technology Fund.

OBSERVATIONS ARISING FROM THE 2006 PERFORMANCE AUDITS

Follow-up on the Human Resources Management—Performance Appraisal System

15. At the Council's request, we undertook a follow-up on the progress being made toward the implementation of a new performance evaluation system, which we audited in 2005. Normally, we would not undertake a follow-up until at least two years after submitting recommendations, in order to give the Organization time to implement changes.

16. As part of this follow-up, we reviewed the documentation of the Performance Management Committee, and the new Performance and Competency Enhancement (PACE) system (which includes a new form, guidelines, definitions, training materials, and support information available on the Web). We reviewed 46 of employee files for 2006. They included most principal officers, all employees completing a probationary period during the year, a sample of files of staff promoted in 2006, and a sample of files of those employees receiving a renewal of appointment with or without a salary increment. We interviewed staff in the Human Resources Branch (HRB) about the new system and plans for its implementation and improvement, and about the action taken on the current system. We also attended a demonstration of the new on-line system.

17. We reviewed information in Part A of the new PACE system for directors and principal officers as of 13 April 2007. The deadline for employees to enter their information into the system for 2007 was established as 28 February because the system is new, and not all employees were trained on how to use it before January. In future years, inputs will be expected by 31 January.

18. We reviewed progress made on the development of the Business Plan and supporting operational plans, as the key tasks, outputs, and results that individual employees are being assessed against, ought to support operational plans.

19. We also reviewed the status of progress in the UN Common System regarding the pay-for-performance pilot project, which is currently underway. As mentioned last year, a robust performance evaluation program is key to this initiative. It is not surprising that, to date, the pilot organizations' focus has been on improving their performance evaluation systems.

20. Finally, we looked at the status of other HR initiatives that we have commented on in previous years' reports: training, human resource planning, and competency development, which have direct links to performance evaluations.

Observations

A new performance appraisal system (PACE) has been designed.

21. Since early 2006, a Performance Management Committee, consisting of HRB members, line managers, some professional (P) and some general service (GS) staff, has been working to change the existing Performance Appraisal Report (PAR) system. The system had been strongly criticized in the Employee Survey, and we also considered it inadequate in our last year's report.

22. The Committee members started by reviewing what was happening in the UN Common System, particularly regarding pay-for-performance pilot projects, which must be based on a strong performance appraisal system. They also looked at what other UN agencies were doing in this area, especially those in the pilot project agencies. They also consulted a variety of ICAO staff. The Committee proposed a new system, PACE, which was reviewed by senior management before being finally approved.

23. The Performance Management Committee is continuing its work, developing more aspects of the system. It will also review the system after it has been used for one complete evaluation cycle to look for improvements. At every stage of development, the Committee has sought views, tested the project, sought feedback, and made changes as appropriate.

Changes to the performance appraisal system address most of our recommendations concerning the components of the system.

24. Overall, given the short time passed since we made our recommendations and the complexity of the issues, the progress in addressing our recommendations is satisfactory (see Appendix A). The new performance appraisal system addresses most of our recommendations concerning the components of the system. However, it is too early to assess the system's effectiveness or to what extent management will use it as a tool to achieve desired organizational results. The review period has been changed, so that all staff establish their key tasks, outputs, and results anticipated for the upcoming year each January, with a formal review in December. This will align performance with the implementation of operational plans, which supports the overall ICAO Business Plan. Once the new system has been in place for a year, the performance appraisal on file will be used to support salary increases and renewal of contracts. In the interim, for 2007, the HRB will contact supervisors individually to confirm support for these actions.

25. At the moment, PACE does not fully address the issue of probationary periods. Since the probationary period for GS staff is six months, any GS staff member hired in the first six months of the year will complete their probationary period before the annual review in December. Similarly, professional staff who are hired in the latter part of a year will require a special follow-up, as their probationary period is one year, and a PACE evaluation completed in December will not allow enough time to make a final assessment on suitability. At the moment, for probationary employees, HRB plans to send an e-mail to their supervisors asking whether or not the employees successfully completed their probation.

26. In the UN system, as in many organizations, it is difficult to release someone for inadequate performance, once the employee becomes a permanent member of staff. Therefore, for those employees who were not performing at their expected level, it is imperative that the secretariat take action to release them during the probationary period. Similarly, contract employees ought not to be renewed if their performance have not been fully satisfactory. However, to do this, it is necessary to follow due process by assessing the employee early on, and giving the employee the chance to improve before releasing them. As the probationary period is critical to ensure that those employees with good performance are retained, we encourage a full completion of a PACE report (completion of key tasks, identification of future training, assessment of competencies) be done at the end of the probationary period, even if it does not coincide with the annual cycle. For new hires, it is important that they are clear on expectations placed on them, and it is also critical for supervisors to encourage changes in behaviour early, if needed. We noted that there was a better completion rate of PARs for employees on probation this year, with evidence that HRB followed up in cases where PARs were lagging. However, for 2 out of 13 files, no PAR was on file, and we did not see evidence of any follow-up.

27. We also note that the new system will apply to all staff. While staff rules were changed in 2006 to include principal officers and bureau directors, we noted that, at the time of our audit, 5 out of 12 principal officers for which a PAR was issued were not assessed for 2006. In addition, we did not see any reviews of bureau directors for 2006.

28. We would expect to see, for 2007, PACE reports completed for all staff levels. As of 13 April 2007, all directors, including 3 acting directors, had completed Part A of the PACE (indicating their key tasks) and were waiting for their supervisor's approval. The 3 new directors will be expected to complete a PACE report upon their arrival. Out of 17 principal officers, 15 had completed Part A, and 12 have already been approved. In order for PACE to succeed, it has to be seen as a management tool to achieve results, and it needs to have the full support and participation of all levels of the Organization.

A significant amount of training on the new system has been done.

29. A significant amount of training on the new system has been done. A pilot session was held in September 2006, which included training on the strategic objectives, the Business Plan, results-based budgeting, and the link to the proposed PACE system. The pilot training session also tested the form, initial guidelines, and behavioural definition of competencies.

30. Following this initial session, some changes were made, and the system development started. Training on the new system is now focused on Part A—the writing of key tasks, identification of outputs, and results that will be used to measure performance—and on the system's on-line application.

31. Emphasis has been placed on making Part A SMART (specific, measurable, achievable, realistic, and time-sensitive). Employees have been provided with examples of active verbs to write their key tasks, which more clearly identify the actions they are required to take. Since what is now expected is somewhat of a shift from the past, this is proving to be a challenge for some employees. Some employees confuse results or outputs with the key tasks. To assist in this area, workshops are being delivered and supporting material has been set up on-line. Of the PACE reports we reviewed, we noted considerable improvement in the use of specific active verbs and more concrete performance indicators in some of the forms. For other employees, further improvement will be needed in the wording of the key tasks and/or to the specific measures related to the key tasks.

32. The workshops and supporting material also stress that the form should not be completed until a meeting is held between supervisor and employee, because the process is about communication between the two. This will address, in part, our recommendations that management should be responsible for completing the performance appraisal. They need to use it to manage for results, provided that interviews are held, and the key tasks are related to operational plans and the business planning process.

33. Some 250 people at HQ have attended workshops on the new PACE system, Part A. While the HRB has tried to reach as many employees as possible, it has focused on ensuring that chiefs attend, and that each section has at least one professional (P) and one general service (GS) staff to coach others in their section who have not attended the sessions. Two regional offices have received on-site training from HRB staff who addressed this and other HR issues. Other regional offices have had training via WEBEX. Depending on budget availability, HRB hopes to travel to all offices over the next year to do training on this system and address other HR issues.

34. This is a learning year for staff. The HRB staff indicated that they are not in a position to assess whether the right key tasks have been entered into the system, as this is the responsibility of the chief or director. Nonetheless, a small group of people who have responsibility for the overall business planning process and some HRB members could formally review a sample of Part A of the PACE reports. This team should be looking at reporting relationships to see if clear linkages can be made from the director level, through the chief level, through professional staff and some general staff to achieve a particular objective. They could also review Part A for examples of good statements of key tasks and good performance indicators. This would help those involved in business planning to clarify approaches and build consistency; it would also help HRB improve its supporting material and information on developing clear tasks, outputs, and results statements.

The systems implementation of PACE is paperless and on-line.

35. The new PACE system has been developed to address many of the irritants identified with the old performance appraisal system in the 2005 Employee Survey. Employees will now be able to access their own PACE reports at any time to see the status of completion (approval process, next steps). They will also have access to their own performance history on-line in subsequent years. The system automatically informs employees and their immediate supervisors any time action is taken on a PACE report.

36. The system has a considerable "help" function. Standard frequently asked questions (FAQs), the PowerPoint training presentation, and guidelines to completion are available on a sidebar menu. Within the program, a number of "pop-ups" are available at the click of an icon, providing definitions and explanations of various aspects of the system. It has been designed to be as easy as possible to use, for both the employee and the supervisor, as well as to support the ICAO strategy to make better use of technology and resources.

37. The system also has a comprehensive reporting feature so that at any time, the HRB can tell which percentage of PACE reports have been started or completed. Senior managers will have access to overall reporting as well as details by section and position. This addresses one of our recommendations: that reports be provided to bureau directors for their areas and to senior management at a global level.

38. While the entire form is now available on-line, only Part A is fully operational. Part B and C —the employee's assessment against key tasks, assessment of competencies, and overall rating and review by the second level—is under development. The goal was to have Part B completed by May 2007, and to train staff in June on the next steps. The HRB has indicated it plans to spend more time on coaching supervisory staff on the assessment and the feedback process.

39. In the Part A form, employees fill in their initial key tasks, outputs, and results. These are to be developed after a meeting with their supervisor to ensure that they are focused on the right objectives. Key tasks (which are not a repetition of post descriptions) are to be related to the section's operational plans. Once employees are satisfied with the information in the form, they will send it to their supervisor for approval. At this point, employees cannot make changes to their key tasks. If the supervisor approves it, the employee is informed by email. The supervisor then confirms that he or she has had a discussion with the employee on the key tasks. If the supervisor rejects the form, it will be returned to the employee. A meeting is then called between the employee and the supervisor to revise the document.

40. We note that this system was developed in-house, with no additional costs other than the staff time to do the development. It is, in our opinion, a good computer application of a performance evaluation system and makes good use of technology. In our view, given that development of this new system only started in mid-2006, ICAO is making fully satisfactory progress on this initiative.

41. Part A also contains information on training needs. Training needs are to be linked to, and in support of, accomplishment of key tasks and therefore linked to achieving the Business Plan. As the system is developed in the future, the HRB plans to establish a roster of training opportunities. However, for 2007, it will require a review of all training identified to establish priorities for training and to develop a budget.

42. Training has been a long-standing challenge at ICAO, as we noted in our 2003 report and again last year. As well as needing to have a more systematic way of collecting training needs, ICAO has also had a major issue with funding. We note that ICAO contracted with IATA to conduct a comprehensive training needs analysis in August 2006; the analysis also included a review of technical training—another area that had been identified as requiring attention. In its report, IATA recommended that ICAO establish a training budget that is equivalent to the UN standard. ICAO's training budget to date has been considerably lower than this.

43. We stress that, as an organization operating in a highly technical and quickly changing environment, ICAO needs to address training needs. It is also important not to raise expectations in the PACE process that cannot be met due to lack of funds, as this will only make employees cynical about the process.

Some significant work on PACE still needs to be completed.

44. Several other major challenges still lie ahead. The first is in the area of performance assessment. Starting in 2007, the PACE system will have three levels of performance: "does not meet expectations," "meets expectations," and "exceeds expectations." Managers will need to justify ratings of "does not meet expectations" or "exceeds expectations," by providing specific supporting information. Justifying the ratings will address our recommendations. However, at the time of our follow-up, these ratings were not defined, and this remains to be done.

45. Employees have expressed concern in the Employee Survey and in some of the new training workshops about the consistency of ratings from one branch to another. We observed in last year's audit that there appeared to be no real differentiation on ratings; about 75 percent of employees were rated at the top rating (4 – very good), with 23 percent at the next level (3 – good). We observed a similar result in the 2006 ratings. It is important for organizations to identify their real top performers—a critical step in any future pay-for-performance scheme.

46. In our view, the Organization's "norm" should be "meets expectations," given that a competitive selection process to find highly qualified people yields expectations that employees will perform at a high level. In order to obtain "exceed expectations," some very exceptional circumstances should exist, which should be supported by strong performance that can be clearly articulated. Adopting the rating of "meets expectations" as the norm, and not "exceeds expectations," would be a real change in the Organization's culture, and would be a challenge to communicate both to management and employees. As noted earlier, more training and coaching sessions on assessments are envisioned starting mid-year. Each

supervisor will be responsible for completing the assessment part of PACE, and employees will have an opportunity to comment.

47. A second challenge is the assessment of competencies. In its action plan presented to the Finance Committee of Council, HRB stated it would define competencies in behavioural terms, which it has done. HRB also indicated that it would give examples of performance levels for each competency that exceeds, meets, or does not meet, expectations. To date, this has not been done, but it is part of the plan for the Performance Management Committee.

48. It may be that some differentiation of performance by level or occupational group would help both supervisors and employees to assess achievement of performance on competencies. For example, the expectations for having communications skills would be described differently for professional staff than for general service staff. Professionals might be expected to draft complex regulatory guidelines, or develop policy papers for consideration by working groups or Council. General services staff might be expected to prepare letters or memoranda.

49. To address employee concerns about the consistency of performance rating, many organizations use review committees. The Senior Management Group could review the principal officers' performance to establish some standards as to what constitutes exceptional performance or "does not meet expectations." With that as a benchmark, bureau directors could then review with their principal officers the proposed ratings of staff reporting to them, or at least those they would rate as "exceeds expectations" or "does not meet expectations." This would provide some consistency of ratings. In addition, HRB could review the ratings using a sampling methodology to try to identify best practices and examples. These could be used as supporting material in training sessions and in the on-line system's help menu.

A key challenge is linking the PACE system to the Business Plan and operational planning.

50. With the adoption, in 2005, of its Business Plan, ICAO started its transition to a more results-oriented and performance-based organization. As mentioned in our last year's report, the Business Plan is an ongoing initiative and is scheduled to be fully implemented by the beginning of the next triennium. Along with the strategic objectives, the Business Plan should help form a reporting framework that will integrate strategies, activities, funds, and time frames to improve monitoring and evaluate outcomes.

51. In October 2005, all bureaus and regional offices initiated the development of their own operational plans. These are intended to flow from, and support, the Organization's overall Business Plan to achieve a performance-based accountability framework for all bureaus and regional offices. At the time of our audit, operational plans were still under development, and are planned to be integrated with the Business Plan/result-based budgeting process for the next triennium of 2008–10.

52. The PACE system has been designed to support and reinforce operational planning. Our audit revealed that, for the time being, the Organization has not formally adopted a standard operational planning format and that each bureau/section develops its own model of an operational plan. However, as mentioned in C-WP 12800, the Secretariat is developing an interactive on-line planning system. The Organization's decision-making bodies will have access to this system with the start of the new triennium in January 2008.

53. For 2007, Part A of the PACE reports has therefore been developed using a variety of internal operational plan documents. In fact, managers we met told us that the lack of

communicated operational plans has caused some problems in the delivery of PACE workshops, as employees were not clear what their key tasks should be or how their work supports the Organization's results.

54. The PACE system is a means for ICAO to manage for results. To achieve this, managers need to ensure that their own key tasks and expected results are related to the expected outputs and results identified in their operational plan and that the employees reporting to them establish their key tasks that will ensure the manager meets his or her key tasks.

55. During our audit, we reviewed the key tasks and expected outputs/results identified for some managers, and we looked for linkages between their PACE reports and elements in the Business Plan. Overall, the key tasks identified generally had a logical link to elements in the 2008–10 Draft Business Plan and action plans. For example, when an action plan had an expected output such as implementing a specific strategy or project, we would find, in the PACE report of the bureau director and/or chief of the section, that he/she would have to supervise the development of that specific strategy or project and implement it.

56. However, in some cases the linkages were more vague. Moreover, we were told that some employees were completely unaware of their section's or bureau's operational plans at the workshops they attended. We are concerned that in the absence of a direct link built into the system that links employees' key tasks directly with the operational plan and the business planning process, the PACE system could become an administrative burden, just as the PAR system was, rather than being used to manage for results. Over time, we suggest that an explicit linkage be made in the PACE report indicating which strategic objective or supporting implementation strategy the key task is related to.

Work continues on the project to identify technical competencies needed for the future.

57. In our 2003 report and again last year, we noted that ICAO needed to get a good understanding of the skills it needs for future work. Last year, the HRB had initiated a project to identify skills and competencies required up to 2013, particularly with a focus on technical competencies. Work on this project is proceeding. Internal and external research on key challenges has been completed, and a workshop has been held with senior managers to confirm findings. Nevertheless, considerably more work needs to be done to identify specific skills gaps for ICAO for the future. Specifically, senior staff needs to identify required technical skills and assess current staff competencies against this list in order to identify critical skills gaps that need to be filled. This can be done through recruitment when continuing positions are vacated or by training and developing existing staff. In addition, ICAO needs to decide whether it will integrate competency requirements into its post descriptions and staff vacancy notices or address the competency needs in some other way.

Conclusion

58. One year after our audit, the Human Resources Branch has made satisfactory progress on the redesign of the performance evaluation system. It is also making satisfactory progress on implementing the new system. Yet, some major challenges remain. These include establishing clear definitions of ratings, defining different levels of competencies, and training on completion of Part B and C of the PACE report, which essentially is how to rate and comment on performance.

59. To succeed, leadership and management commitment are paramount. First, the Organization needs to establish a clear, consistent approach and format for operational

planning. Second, managers are to establish key tasks for staff, ensuring they are linked to operational plans and result in measurable performance. If they treat this as a paper exercise and not a way to manage for results, then the system and process will become of little value or use. Managers will also need to systematically assess performance, providing training where improvement is needed or where new skills and knowledge are needed because of a changing technological environment. This latter is a major change in culture and approach to performance management that will require sustained attention.

Recommendations

60. We recommend the following to the Secretariat:

1) Senior managers and principal officers should ensure that the new PACE system is used by all levels of the Organization and as a management tool to achieve the results expected in the Business Plan.

2) A small committee with members from those working on the business planning process and members of the Performance Management Committee should review a sample of Part A of the PACE reports to ensure that there is a clear linkage within bureaus of key tasks to achieve stated business objectives. In the first years of implementation, it should also identify good statements of key tasks (using active verbs and specific, identifiable, and measurable outcomes) to be used as examples in training information.

3) Managers and the Human Resources Branch should ensure that a PACE report is established for all probationary employees on their hiring. In addition, managers should complete the PACE assessments for probationary employees at the end of the probationary period, even if it is not on the normal annual cycle.

4) ICAO should review its training budget to ensure that it can provide adequate training to meet its current and future needs.

5) The Performance Management Committee should establish clear definition and standards for performance ratings where a rating of “meets expectations” will be the norm. Ratings of “does not meet expectations” or “exceeds expectations” should be explained and supported by examples.

6) The Performance Management Committee should complete its work to define levels of competencies. As the same core competencies apply to almost all staff, expected performance should be commensurate with each level of staff.

7) Bureau directors should ensure consistency of ratings among sections. The HRB should review a sample of completed PACE reports for consistency of ratings and provide additional feedback and guidance to managers and supervisors.

8) The Secretariat should establish a consistent approach to operational planning with a defined format. Further, an explicit link should be made in the PACE report to relate key tasks to strategic objectives or supporting implementation strategy to help employees understand how their work would contribute toward organizational goals.

Follow-up on the Information and Communication Technology Systems

Introduction

61. At the Council's request, we followed up on the extent to which the Organization progressed in addressing the observations raised in our 2005 report on its initiatives to improve the Information and Communication Technology (ICT) framework that it uses to support its financial operations. As mentioned in paragraph 15, we would not normally undertake a follow-up until at least two years after submitting recommendations, to allow the Organization time to implement changes.

62. In conducting our audit, we met with various directors, managers, and staff. We reviewed reports, minutes, financial transactions, and documents relevant to efforts made to improve ICAO's ICT framework.

Observations

63. In our 2005 audit, we evaluated the appropriateness of the Information and Communication Technology (ICT) framework used by ICAO to support its financial operations. We reported our concerns to the Council that improvements were required to the Organization's governance of information technology and to its security framework.

The ICT Section prepared an action plan to address our concerns.

64. In accordance with the recommendations of the Secretary General and the Senior Management Group, the ICT Section prepared an action plan to address the concerns raised in our 2005 report pertaining to

- improving the governance of information technology,
- applying industry best practices to achieve a better use of resources,
- addressing risks related to security and potential malicious attacks,
- establishing a proper security framework, and
- developing a proper recovery plan for ICT operations to support activities in the event of an emergency.

Improvements have been made regarding the governance of IT and applying industry best practices.

65. In his response to our 2005 audit observations, the Secretary General noted that ICT management, governance, and support should function as one unit in ICAO and that work to achieve consolidation of ICT had already began.

66. The consolidation of IT operations was expected to be done in two phases. The first phase, to be completed in 2006, involved

- establishing an inventory of IT business applications within ICAO,
- preparing a risk assessment to address and overcome any vulnerabilities within IT operations, and
- developing service level agreements between the ICT Section and the bureaus with the goal of improving IT services in ICAO.

67. As a first step in implementing the action plan, the ICT Section engaged a consultancy firm to prepare an inventory of all current and planned applications and evaluate their risks in the areas of technology and operations. This risk assessment's objective was to help ICAO to properly plan and prioritize its IT business projects and efficiently use its IT resources.

68. Given the complexity of ICAO's computing environments and technology use, the ICT Section asked the consultancy firm to help it develop service level agreements for its IT services. Due to the Finance Branch's interest in the project to modernize ICAO's financial systems software, the first service level agreement was to be prepared between the ICT Section and the Finance Branch.

69. The consultancy firm's November 2006 IT Risk Assessment Report pointed out that, in order to mitigate risks and to optimize the use of resources, ICAO needs to centralize its IT structure under a Chief Information Officer. The consultancy firm also developed a draft service level agreement for ICT to present to the Finance Branch.

70. By January 2007, the ICT Section had submitted to the Secretary General a revised organization chart and post descriptions for a consolidated ICT Section under a Chief Information Officer. As well, the ICT Section submitted a service level agreement document to the Finance Branch. Subsequently, using this service level agreement document as a template, the ICT Section prepared and submitted 11 service level agreements to all other bureaus and sections in the ICAO.

71. Once these service level agreements are accepted, the ICT Section will have to deliver on the performance levels set out in the agreements. In our view, meeting or exceeding the expectations of other units within ICAO is critical to consolidating the IT structure.

72. At the end of our fieldwork, a decision had not yet been made on the proposed consolidated IT structure. As well, only the President and Secretary General's offices have accepted the service level agreement presented to them by the ICT Section.

Responding to risks related to security and developing a proper recovery plan

73. In its action plan, the ICT Section noted that it did not have a dedicated Information Technology Security Officer. The action plan pointed out that such an officer, if available, could address the concerns raised in our 2005 report regarding risks related to security. This includes establishing a security framework and developing a proper recovery plan for ICT operations.

74. As seen by the ICT Section, the IT Security Officer could accomplish these tasks by identifying possible weaknesses in ICAO's IT environment and then developing steps to reduce these weaknesses. As well, the IT Security Officer, aided by a contractor, could establish a proper security framework for ICAO and develop a business continuity plan to recover IT operations in the event of an emergency.

75. In August 2006, the Secretary General approved a description for the new temporary post of an IT Security Officer. The recruitment process for this position was completed by year end, a Security Officer was hired in January, and he was scheduled to start his duties at the beginning of April 2007.

Conclusion

76. Despite some positive developments in efforts to improve the ICT framework, we found that the overall progress has been unsatisfactory. The action taken to date provides the necessary first steps to respond to the recommendations in our 2005 report, which remain relevant and need to be fully addressed in the coming months.

Recommendations

77. We recommend the following to the Secretariat:

1) ICAO should finalize the organization structure for consolidating its ICT operations and take steps to implement it.

2) ICAO should complete the service level agreements between ICT Section and the bureaus and other sections. Senior management should monitor how the implementation of these service level agreements affects the Organization and assess how it may affect the consolidating of ICT operations.

3) ICAO should develop a work plan to address the concerns raised in our previous report regarding risks related to security and to establish a proper security framework and a proper recovery plan for ICT operations. This plan should include a timetable for addressing our concerns expeditiously.

Update on the Modernization of the Financial Information Systems

Introduction

78. In April 2001 and 2003, we reported and followed up, respectively, on ICAO's need to modernize its financial information systems. This year, we obtained an update on new developments in this area and reviewed actions that management has taken regarding our previous recommendations.

79. In conducting our work, we met with various directors, managers, and staff. We reviewed reports, minutes, financial transactions, and documents relevant to the project.

Context

The Secretariat prepared a business case for the project.

80. In our past reports, we noted that a Secretariat team had been set up to consult with other UN organizations. It had been given the mandate to seek a possible partnership to share its financial system, experience, and competencies. By April 2006, the other UN organizations had informed ICAO that such an alliance was not possible.

81. The Secretariat then decided to build a business case for how best to modernize ICAO's financial systems, using the lessons learned during its missions to other UN organizations. The business case would, among other things, determine the scope of the project to modernize ICAO's financial systems including the appropriate governance structure; the business case would also define the needed level of funding for this project. In our 2005 report, we encouraged the Secretariat to ensure that its business case included a detailed description of the project phases and costs.

82. The business case project team, working with a consultancy firm, completed the business case by May 2006 for the project to modernize ICAO's financial systems. The business case report outlined the project strategy, including the main project activities, a high-level project structure, and the definition of roles and responsibilities.

83. Following the business case report, a study was carried out by the consultancy firm to review ICAO's business processes in the areas of HR/payroll, travel, treasury, project management, budgeting, and forecasting. The study's objective was to examine how business processes could be reduced and simplified to increase efficiencies. The study identified several reasons supporting the urgent need to replace ICAO's financial and budgeting systems, including the following:

- **Obsolete and inefficient systems.** The ICAO's systems are obsolete and are becoming increasingly difficult to maintain. As well, since they are not linked to each other, they are inefficient.
- **Lack of financial information.** The systems do not provide adequate, timely, and accurate financial information for decision making by management.
- **Non-compliance with IPSAS.** The current systems do not comply with International Public Sector Accounting Standards (IPSAS) that will soon be adopted by the United Nations.

A project to modernize ICAO's systems was set up and staffed.

84. The study also recommended adopting an Integrated Resource Information System (IRIS) project to modernize ICAO's systems. An IRIS project team was set up and staffed with a project manager and three functional team leads. As well, technical subject matter experts were assigned to work with a consultancy firm, to review how the business processes could be reengineered.

85. By June 2006, an estimate for modernizing ICAO's systems was prepared. It stated that more than $10 million would be required to modernize ICAO's systems, based on Enterprise Resource Planning software geared for large (Tier 1) organizations. However, the Council determined that this estimated cost could not be justified for an organization the size of ICAO. The Council was not prepared to increase funds available to the project beyond the $5.843 million already approved for it.

Observations

Alternatives were examined and a contract was awarded.

86. In September 2006, the IRIS project team produced a request for tender document that was issued to 11 potential software suppliers. In November 2006, three bids were received. During the following month, a team of 27 staff members completed the financial and technical evaluations. As a result, Agresso, a supplier of mid-size (Tier 2) enterprise resource planning software, was selected as the best overall choice for ICAO. In February 2007, a contract was awarded to Agresso for the first phase of the IRIS project.

87. The fixed-price cost of implementing this software is expected to be $2.7 million. Internal costs are expected to be $1.8 million. Ongoing costs after implementing the software are estimated at $0.2 million per year. However, these costs do not include any contingency for increased costs if the project's scope increases.

88. The implementation of Agresso software was scheduled to begin in March 2007. It will be implemented in two phases. The first, with an expected completion date by the end of 2007, includes the general ledger, budgeting, accounts payable, procurement, accounts receivable, and project management. The second phase, scheduled for completion in 2008, comprises fixed assets, human resources, payroll, travel, and publication sales.

Project management structures were developed.

89. The IRIS project team, composed of approximately six staff members, is headed by a project manager. The project manager is responsible for managing the contractor's activities, for ensuring that his team's activities are completed according to the project plan, and for producing reports for the project's oversight committee—the Sponsors' Group. This Group, made up of the directors, deputy directors, and chiefs affected by the IRIS project, will monitor progress and has the authority to resolve any problems that arise during implementation. The project team will also continue to make regular reports throughout the upcoming year to the Finance and ICT/Management committees.

90. A project plan and schedule for implementation has been developed, including deliverables, responsibilities, and an anticipated time frame for delivery. This plan will be used for regular assessment of progress by the contractor, the project manager, and the Sponsors' Group.

91. In our experience, initiatives for major systems frequently encounter unforeseen changes or problems that increase costs and delay the initially foreseen implementation date. ICAO has limited experience in managing the implementation of a project of the size and complexity of Agresso. Given the tight time frame for implementing Agresso, the proposed implementation plan is heavily dependent upon strong project management by ICAO.

Security and financial controls need to be evaluated as the system is implemented.

92. One of the major differences between the Agresso system and the existing batch-oriented legacy system is the real-time processing of data. In the new system, a high degree of reliance will be placed on controls over the authorization and input of transactions, and on general computer controls supporting the system.

93. Controls that provide the Organization with proper security such as user IDs, passwords, access profiles, and authorization limit restrictions will be configured within the new financial system.

94. Weaknesses in implementing security and financial controls within the new financial system can jeopardize its integrity. For example, weaknesses that permit users to perform tasks not defined in their job functions increase the risk of compromising the integrity and confidentiality of information captured within the system. Lack of integrity and confidentiality could lead to serious errors or malfeasance.

95. Therefore, it is important that security and financial controls be properly configured within the Agresso software. As well, user access rights in Agresso need to be validated. The number of users with powerful access rights needs to be restricted. Users should have only the access rights required to perform their job responsibilities, and their access rights should be revalidated regularly.

Conclusion

96. We noted many positive developments during 2006 to modernize ICAO financial systems. In the upcoming year, this project will present a significant challenge to the Organization to manage and to ensure that security and financial controls configured in Agresso are appropriate. With limited experience in managing the implementation of a project of the size and complexity of Agresso, strong management of the project's implementation phase is essential.

Recommendations

97. We recommend the following to the Secretariat:

1) The Sponsors' Group should frequently review the progress made on the modernization project and ensure that corrective action be taken as required to keep the project on schedule and within budget. The Group should also ensure that contingency measures be considered and developed.

2) The IRIS project team should ensure that security and financial controls are appropriately configured in Agresso.

3) The IRIS project team should ensure that powerful access rights are restricted to a few users and that a process is put in place to ensure that user access rights are revalidated regularly.

ACKNOWLEDGEMENT

98. We wish to express our appreciation for the cooperation and assistance extended to us by the Secretary General and his staff.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada
External Auditor

Montréal, Canada
11 May 2007

Appendix A

Human Resources Action Plan: A summary of progress assessed against our recommendations

Recommendation	Assessment of progress	Actions taken
Change the culture—performance management must be seen as a way to motivate staff by recognizing good performance and by dealing with those areas that need improvement.	Slow progress	Since the system is just being implemented, it will take time and consistent effort to change the culture. The key challenge is making the performance appraisal system one means to achieve results. In addition, management must take ownership of the process.
Make the manager/supervisor responsible for performance management. Employees should have input, but ensuring completion is a management responsibility.	Satisfactory progress	Under the PACE, the manager is accountable for ensuring the establishment of appropriate key tasks following face-to-face communication with the employee. The manager will also be responsible for doing the assessment. However, since first assessments will not be done until December 2007, we are unable to assess their effectiveness.
Change the performance appraisal cycle from an employee anniversary date to one date for all, to coincide with the fiscal year, when the Business Plan will be updated and reviewed.	Fully implemented	Part A (key tasks for the upcoming year) is to be done by the end of January, with assessments to be completed in December 2007. For the initial year, a delay was allowed in completing Part A, as not all training had been completed. As of 13 April 2007, almost all employees' Part As had been entered into the system (excluding those who will retire in the upcoming year, and those on long-term sick leave or maternity leave, who are not present to complete the task).
Revise the performance appraisal form to provide specific details on contributions of employees. Redesign and redefine the rating scale. Consider having only one overall rating with detailed commentary on achievements and competencies. To be rated above the "norm," the performance must be well justified.	Satisfactory progress	The rating scale has been changed (although all key tasks and each competency are still assessed individually, in addition to an overall rating). Ratings either above or below the norm must be justified with specific supporting comments.

Refine definitions of core competencies to have defined levels of expected behaviours for different levels in the Organization, and identify “meet” and “exceeds” behaviours.	Slow progress	The recommendation was partially implemented. Core competencies are now more adequately described in observable behavioural terms. HRB’s plan is to further elaborate on “does not meet expectations,” “meets expectations,” and “exceeds expectations” ratings. However, this has not yet been done.
Make performance reviews mandatory for all employees, including senior managers.	Fully implemented	This was done. However, for 2006, only 5 of 12 principal officers for which a PAR was issued had no performance review on file. For the new system, 5 bureau directors (3 acting) and 15 out of 17 principal officers had completed Part A (key tasks, outputs, and results) as of 13 April 2007. This is critical to creating the support to change the culture; if senior managers do not view this as a way of achieving ICAO’s planned results, the system will not work.
Provide training on both the Business Plan and the new performance management system for existing employees, and develop guidance for new employees and supervisors.	Satisfactory progress	Training on the new PACE system has reached all bureaus and all regions. The initial sessions included a section on the Business Plan given by the responsible manager. Training on the new system makes it clear that this is to be linked to the Business Plan, but more work needs to be done in this area. The new on-line system provides help for both employees and supervisors.
Provide regular reports to bureau directors on completion rates and overall ratings, so they can manage the system and regular reports to senior management on overall performance.	Satisfactory progress	A report was produced for 2006. The new system has a strong reporting capacity, which is easy to produce and can let management know overall progress/completion rates for any branch, division, or section, and on down to individuals. Monitoring should be easy.

Appendix B

Information and Communication Technology Action Plan: A summary of progress assessed against our recommendations

Recommendation	Assessment of Progress	Actions Taken
1. Improving the governance of IT and applying industry best practices	Slow progress	
The ICAO should reinforce controls over ICT operations. A firm commitment is needed by senior management to improve information technology governance. The ICAO should obtain a firm commitment from senior managers to apply industry best practices and achieve a better use of resources. The ICAO should reinforce controls over ICT operations.		The Secretary General and senior management committed to examine ways to consolidate management and governance of ICT operations in the Organization. During the year, the ICT Section prepared a risk assessment that examined vulnerabilities within the ICAO's IT operations and drafted 12 service level agreements. Only 2 service level agreements have been accepted. The ICT Section has prepared a draft ICT organizational structure and submitted it to the Secretary General. A decision had not yet been made on the proposed centralized IT structure.
2. Responding to risks related to security, including establishing a security framework, and developing a proper recovery plan	No progress	
The ICAO should establish a proper security framework. The ICT master plan does not cover risks related to security and potential malicious attacks. The ICAO should have a proper recovery plan for its ICT operations to support its emergency plan.		During the year, the ICT Section received approval to hire a Security Officer. The position has been staffed, and the newly appointed officer is scheduled to start his duties in April 2007. The Security Officer is to prepare a plan and timetable for developing a framework for IT security. As well, this officer will update ICT's master plan to cover risks related to security and potential malicious attacks. The new IT Security Officer will coordinate action on this recommendation; specialized outsourced resources would be required to perform this work.

PART VI: SECRETARY GENERAL'S RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR

1. In accordance with the decision taken at the 28th Session of the Assembly, the Council has included, in its report, the action that the Secretary General intends to take in response to substantive recommendations in the Report of the External Auditor. This part presents the comments and the action contemplated by the Secretary General in response to the External Auditor's Report for 2006 contained in Addendum No. 2.

2. The following comments are presented in the same order as that of the External Auditor's Report.

ATTEST AUDIT RESULTS

3.1 *Paras. 8 to* 14: The Secretary General notes with appreciation the positive observations made by the External Auditor in the area of accounting and reporting financial matters through the audited Financial Statements included in Addendum No. 1, with an Audit Report thereon expressing an opinion without reservation.

OBSERVATIONS ARISING FROM THE 2006 PERFORMANCE AUDIT

4. Follow-up on the Human Resources Management – Performance Appraisal System

4.1 **General Comments:** As stated in the External Auditors Report, there has only been a short interval between the 2005 recommendations regarding ICAO's performance management system and the current review. The development and implementation of an improved performance management system is well underway.

4.2 The Organization is committed to addressing the issues regarding performance management raised by the External Auditor, the Senior Management, the Staff Association, as well as individual staff members. Their collective recommendations and input, as well as the experience gained with the new Performance and Competency Enhancement (PACE) system in 2007, the pilot year, will be used to further improve the system for future years.

4.3 Considering that many features of the new PACE system represent significant cultural and procedural changes, the initial experience to date has been successful. Of course, more work remains to be done and this project continues to be a high priority activity for the Organization.

4.4 **Specific Comments:** Specific comments and proposed actions in response to the observations of the External Auditor are provided below.

4.5 *Paras. 25 and 26 – probationary period*: The External Auditor had raised very important issues regarding the need to properly address the probationary period in the new performance management system. In order to address the issues raised, the following adjustments to the Organization's present practices would be recommended.

4.6 Firstly, consideration is being given to setting the probationary period to one year for both Professional and General Service category posts. Secondly, for all new employees whose contracts are subject to a probationary period, a full one-year PACE report would be completed, starting on the date

of reporting for duty. Three months in advance of the end date of the one-year PACE Report, the Human Resources Branch (HRB) would send an e-mail reminder to the Supervisor with instructions on the actions to be completed and the deadlines to be respected. Managers will be held accountable for respecting the deadlines and HRB will closely monitor the situation.

4.7 Based on the assessment provided by the supervisor, HRB would then take the appropriate action to either terminate the contract of the employee or to confirm that the probationary period has been satisfactorily completed. After having completed this initial one-year PACE report based on reporting date, the future performance of employees who have satisfactorily passed the probationary period would be assessed under the annual review cycle, i.e. January to December.

4.8 Based on the above revised procedure, a special and separate monitoring feature will be programmed into the online PACE system in order to ensure timely individual follow-up for the initial one-year probationary report for all new staff members.

4.9 In conjunction with the Staff Advisory Committee (SAC) and the Performance Management Committee (PMC), HRB is taking the necessary action to amend the appropriate Staff Rules and the guidelines for the completion of PACE reports.

4.10 With regard to the completion rate for the probationary periods, as reported by the External Auditor, follow-up efforts have been intensified, resulting in an improvement in the completion rate. The two cases identified by the External Auditor, which had not been completed, have since been resolved.

4.11 *Paras. 27 and 28 – application to all staff*: In 2006, the ICAO Service Code was revised to reflect that the performance of all staff members is subject to an annual performance review. However, as the new PACE system was implemented in early 2007, any significant change in the completion rate would only be seen starting in 2007. The year 2006 was therefore a transition year. The participation and completion rate for all staff, including Principal Officer and Director posts, has significantly improved in 2007 as compared to previous years. HRB continues its efforts to obtain 100 per cent compliance.

4.12 *Paras. 29 to 34 – training on the new PACE system*: The training and guidance provided on the new PACE system has been comprehensive. As indicated by the External Auditor, the year 2007 is a learning year for staff and supervisors. To date, the system has been well received, with an overall completion rate of 83 per cent as at 24 May 2007. Based on the experience gained, it is expected that the level of comfort with the new online system, as well as the terminology used, will continue to rise and the wording of the key tasks, the performance measurements and the expected results and outcomes will become more specific.

4.13 With regard to ensuring the alignment of key tasks with the ICAO Business Plan and units' operational plans, HRB plans to review this matter, in conjunction with the PMC and the coordinating office for the Business Plan, after the initial one-year trial period of the new PACE system has been completed.

4.14 *Paras. 35 to 40 – new PACE system is paperless and on-line*: The new on-line system is user-friendly and has been well received by all. Part A (Performance Plan) is fully operational. The development of the remaining parts on performance and competency assessment have been completed in May 2007 and are currently being tested.

4.15 The development of the on-line and face-to-face training packages for the performance and competency assessment phase of the PACE will begin in June. Training workshops will be given starting in July. The training packages will also aim to provide supervisors with tools to conduct effective performance review discussions.

4.16 *Paras. 41 to 43 – training needs*: The on-line PACE system has been designed to compile the training and staff development needs identified in Part A (Performance Plan). This information, in addition to the results of the organization-wide training needs assessment conducted in 2006, is being taken into account when planning the training activities for 2007, as well as a comprehensive managerial, technical and administrative training plan for the 2008-2010 triennium.

4.17 The External Auditor's comments with regard to the importance of addressing the Organization's training needs are endorsed. In light of the importance given to training, a training budget which would come closer to the UN standard has been included in budget proposals for the 2008 to 2010 triennium.

4.18 *Paras. 44 to 49 – challenges which remain*: Work on the definition and guidelines on consistent application of performance ratings, as well as on the assessment of competencies, is ongoing. The training packages which are being developed for the second phase of implementation will cover these subjects and include examples.

4.19 With regard to the differentiation of assessment of competencies by level or occupational group, HRB is consulting other UN Organizations in order to benefit from the UN Common System experience and best practices in this area.

4.20 With regard to the consistency of performance ratings, using the reporting feature of the new PACE system, HRB, in conjunction with the PMC, will conduct preliminary reviews of the performance ratings by individual Office/Bureau and compared to other Offices/Bureaux. An annual report on any anomalies will be presented to the Secretary General, along with recommendations on any required remedial action. Consultation with the Senior Management Group will take place prior to taking action, in cases where it is felt that specific action is required for any particular Office/Bureau, or any particular occupational or managerial group. As previously mentioned, the year 2007 is a learning year for all parties, and the tools and guidelines for the successful application of the new PACE system are being developed in consultation with all concerned parties.

4.21 *Paras. 50 to 56 – linking PACE to operational plans and the Business Plan*: Linking PACE to operational plans and the business planning process is an important feature of the new performance management system. In order to further assist managers and staff with the preparation of operational plans, practical training in project management and the preparation of operational plans are foreseen and will start in July 2007. One of the objectives of the training will be to establish a standard format for operational plans.

4.22 In order to ensure a direct and clear link between the PACE and the Business Plan, an additional field will be added to the on-line PACE form in Part A (Performance Plan) which will enable the staff member and/or supervisor to record a direct link to the Strategic Objective or Supporting Implementing Strategy to which the identified key tasks relate. It is planned to incorporate this new direct link to the Business Plan for the 2008 PACE reports.

4.23 *Para. 57 – work on the identification of future technical competencies is ongoing*: As part of the Organization's focus on long-term human resources planning efforts, work on the identification of skills and competencies up to 2013, with a particular focus on technical competencies, is ongoing. Following the workshop which was held on this subject in early 2007, senior managers have been requested to identify the technical competency requirements for the future and any critical gaps between the existing in-house skills and competencies of the current workforce and future requirements. The competency requirements will then be incorporated in recruitment activities, including the preparation of post descriptions and posting of vacancy notices, as well as training and development activities. However, it should be noted that these activities may be delayed, taking into account the budgetary proposals presently under review for HRB.

4.24 *Para. 60 - Recommendations*: The Secretary General agrees with the recommendations in sub-paragraphs 1, 2, 5, 6 and 7 and work is ongoing in these areas. With regard to sub-paragraph 3, revised procedures for probationary periods as described above are recommended, whereby new Professional and General Service employees who are subject to a probationary period would complete an initial one-year PACE, starting from the date of their arrival, and that, subject to satisfactory completion of the probationary period, would complete future PACE reports in accordance with the January – December review cycle. The Secretary General also agrees with the recommendation in sub-paragraph 4, noting that an increased training budget has been requested for the 2008-2010 triennium. Concerning sub-paragraph 8, the Secretary General also agrees with the recommendation and training on the preparation of standard operational plans will commence in July 2007. The 2008 PACE reports will be amended to enable staff and supervisors to directly link the identified key tasks to the Strategic Objectives and the Supporting Implementation Strategies.

5. Follow-up on the Information and Communication Technology Systems

5.1 *Paras. 61 to 65*: ICT has prepared a detailed action plan to address the audit findings with emphasis on the two main issues of IT Consolidation and IT Security. The ICT Action Plan, Phase 1, Management Strategy calls for the reorganization of the present ICT Section. The objective is to consolidate all IT resources from the Bureaux and Regional Offices under one central management. Regarding the second main topic, ICT has hired a new ICT Security Officer who started at ICAO on 2 April 2007. The new IT Security Officer working with ICT and the Bureaux has completed a draft ICT Security Action Plan which will be sent out to all the Bureaux for review. Once this document is approved, it will serve as a blueprint to complete the IT emergency and IT security issues.

5.2 *Paras. 66 to 69*: In December 2006, ICT completed the inventory of ICAO IT business applications as well as the risk assessment to address vulnerabilities within ICAO IT operations. At the same time, ICT completed the required service level agreements with all Bureaux and Regional Offices. In 2007, all service level agreements have been signed and are in operation. C/ICT monitors the IT service level status and the service has exceeded the signed agreements. A new customer survey has been implemented to obtain immediate feedback of ICT customer service, which is monitored by C/ICT on a daily basis.

5.3 *Paras. 70 to 72*: A revised organizational structure for ICT was submitted and is currently under review by the Secretary General in light of budget resources available for 2008, 2009, and 2010. Service Level Agreements have all been signed and are in operation. The performance is regularly reviewed by C/ICT and ICT service has exceeded the agreement specifications to date.

5.4 *Para. 73 through 75:* Refer to paragraph 5.1 regarding hiring by ICT of a new ICT Security Officer.

5.5 *Para. 76 – Conclusion*: IT consolidation remains an outstanding issue. However, IT consolidation has been carefully researched and discussed, and issues raised by all parties including the items specifically requested by the ICT/Management Committee and the SMG before consolidation of IT resources have now been completed.

5.6 *Para. 77 – Recommendations*: *Sub-paragraph 1)*: The ICT Action Plan, Phase 1, Management Strategy calls for the reorganization of the present ICT Section. The objective is to consolidate all IT resources from the Bureaux and Regional Offices under one central management.

5.7 All items requested by the ICT/Management Committee and the SMG before consolidation of IT resources have now been completed. Those items specifically include:

- Service Level Agreements (SLAs);
- IT business projects inventory; and
- IT risk assessment.

5.8 The Structure and Organization of the Secretariat (SOS) Team, constituted by the Secretary General, identified that organizational changes are necessary to better align the Organization to the six Strategic Objectives. The team recommended that the centralization of Information and Communication Technology activities should take place during the first phase of restructuring.

5.9 *Sub-paragraph 2)*: With reference to service level agreements between ICT Section and the Bureaux and other sections, all service level agreements have been signed and are in operation. C/ICT monitors the IT service level status and the service has exceeded the signed agreements. A new customer survey has been implemented to obtain immediate feedback which is monitored by C/ICT an a daily basis.

5.10 *Sub-paragraph 3)*: ICT has hired a new ICT Security Officer who started at ICAO on 2 April 2007. The new IT Security Officer, working with ICT and the Bureaux, has completed a draft ICT Security Action Plan. This draft will be sent out to all the Bureaux for review. Once this document is approved, it will serve as a blueprint to complete the emergency and security issues.

6. Update on the Modernization of the Financial Information Systems

6.1 The Secretary General agrees with the conclusion and recommendations of the External Auditor and offers the following comments specific to the recommendations in paragraph 97:

6.2 *Sub-paragraph 1)*: The Sponsors' Group meets every other week when it receives and discusses the progress report provided by the Project Manager. Issues and dependencies, if any, are reviewed and discussed and guidance is provided to the Project Manager. Also, when implementation issues are escalated from the team leads, they are discussed in the Sponsors' Group meeting with the Business Owners (Chiefs of the Sections being affected by the issue in question) and decisions and recommendations are made and given to the Team.

6.3 *Sub-paragraph 2)*: Roles and user design discussions are being held in each of the detailed design sessions of the individual modules of Agresso. A final session will be held to determine the final configuration of the user roles, access rights and controls to be implemented within the system.

6.4 *Sub-paragraph 3)*: The Agresso system has a built-in, fully configurable access and data security module that will be tailored to meet ICAO's requirements identified in the roles and user design sessions. Access to the Agresso security system will be restricted to the super-user in charge of administering the Agresso system and his/her back-ups. Roles and access rights will be monitored by the module super-users and the system administrator.

— END —

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