



**WORKING PAPER**

**ASSEMBLY — 39TH SESSION**

**ADMINISTRATIVE COMMISSION**

**Agenda Item 55: Amendment of the Financial Regulations**

**AMENDMENT TO THE ICAO FINANCIAL REGULATIONS**

(Presented by the Council of ICAO)

**EXECUTIVE SUMMARY**

This working paper proposes amendments to the Financial Regulations for confirmation by the Assembly as follows:

- Financial Regulation 5.9: to provide greater flexibility to the Secretary General to direct savings in one part of the budget to areas where they may be most needed (paragraph 2.2);
- Financial Regulations 7.3: to rectify a gap in procedures to address provisions that are already in place (paragraphs 2.3 and 2.4); and
- Financial Regulation 11.4: to change the currency of the \$20 000 threshold to Canadian dollars; and the basis of the valuation in Net Book Value instead of original value (paragraph 2.1).

**Action:** The Assembly is invited to:

- a) confirm the amendments to Financial Regulations 5.9, 7.3 and 11.4 as outlined in Appendix A; and
- b) adopt the Assembly Resolution proposed in Appendix B.

<i>Strategic Objectives:</i>	This working paper relates to SIS - Management and Administration - Budget and Financial Management
<i>Financial implications:</i>	Not applicable.
<i>References:</i>	Doc 7515, <i>The ICAO Financial Regulations</i>

## 1. INTRODUCTION

1.1 The Council has approved three amendments to the Financial Regulations and proposes that the Assembly confirm their application as described below and outlined in Appendix A.

1.2 The proposed amendments to the Financial Regulations are presented in the Draft Assembly Resolution presented in the Appendix B.

## 2. PROPOSED AMENDMENTS

### 2.1 Financial Regulation 5.9

2.1.1 The existing Financial Regulation 5.9 allows the Secretary General to transfer from one Strategic Objective or Supporting Strategy to another up to an amount not exceeding 10 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Beyond this percentage, the authority is conferred upon the Council.

2.1.2 It is proposed to amend Financial Regulation 5.9 from 10 per cent to 20 per cent, so as to provide the Secretary General greater flexibility in utilizing unused appropriations, if available, in one part of the budget to areas most needed.

### 2.2 Financial Regulation 7.3

2.2.1 The current Financial Regulation on the Working Capital Fund (Financial Regulation 7.3 b) iii)) indicates *inter alia* that this fund shall be utilized to make advances as necessary to supplementary appropriations under Financial Regulation 5.2 b) i.e. urgent new projects in support of the Strategic Objectives.

2.2.2 In an obvious omission, no provision has been made for the Working Capital Fund to be used to make advances as necessary for the supplementary appropriation approved by the Council under Regulation 5.2 a). It is proposed to rectify this omission by allowing the Working Capital Fund to make advances, as necessary, in those cases where the Council has approved appropriations under Regulation 5.2 a), i.e. for unforeseen and mandatory expenditures.

### 2.3 Financial Regulation 11.4

2.3.1 The existing Financial Regulation 11.4 allows the Secretary General to write off losses of cash, stores and other assets for individual amounts not exceeding \$20 000 in original value. Beyond this amount, the authority is conferred upon the Finance Committee.

2.3.2 This amendment is to change the currency of the \$20 000 threshold to Canadian dollars; and the basis of valuation in Net Book Value instead of original value. Net book value is the value at which an Organization carries an asset in its financial statements. More specifically, it corresponds to the original cost of the asset less any depreciation, amortization or impairment costs made against the asset.

2.3.3 The proposed amendment to Financial Regulation 11.4 is prompted mainly because of two issues:

1) The current Financial Regulations were adopted when the operating currency of the Organization was the US dollar. The Organization has since then adopted the Canadian dollar as its operating currency. Clarity in the denominated currency is being provided through an amendment to the Regulation; and

2) Since transitioning to the International Public Sector Accounting Standards (IPSAS), the Organization has started to capitalize and depreciate fixed assets. Any reference to write-off action should be with Net Book Value which would reflect the amount being written off. Clarity is required in the Regulation so that old, obsolete items are not captured under its scope.

**APPENDIX A**

**PROPOSED AMENDMENT TO FINANCIAL REGULATIONS 5.9, 7.3 AND 11.4**

<b>Reg. No.</b>	<b>Existing Text</b>	<b>Edited changes</b>	<b>New Complete Text</b>	<b>Comments/Justification</b>
5.9	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding 10 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding <del>10</del> <sup>20</sup> per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly.	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding 20 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly.	To provide the Secretary General greater flexibility in utilizing unused appropriations, if available, in one part of the budget to areas most needed.

Reg. No.	Existing Text	Edited changes	New Complete Text	Comments/Justification
7.3	<p>b) the Working Capital Fund shall be utilized to make advances as necessary:</p> <p>i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose;</p> <p>ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and</p> <p>iii) in cases where the Council has approved appropriations under Regulations 5.2 b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified.</p>	<p>b) the Working Capital Fund shall be utilized to make advances as necessary:</p> <p>i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose;</p> <p>ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and</p> <p>iii) in cases where the Council has approved appropriations under Regulations 5.2 a) and b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified.</p>	<p>b) the Working Capital Fund shall be utilized to make advances as necessary:</p> <p>i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose;</p> <p>ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and</p> <p>iii) in cases where the Council has approved appropriations under Regulations 5.2 a) and b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified.</p>	<p>The current Financial Regulation on the Working Capital Fund (Financial Regulation 7.3 b) iii)) indicates <i>inter alia</i> that this fund shall be utilized to make advances as necessary to supplementary appropriations under Financial Regulation 5.2 b) i.e. urgent new projects in support of the Strategic Objectives.</p> <p>No provision has been made for the Working Capital Fund to be used to make advances as necessary for the supplementary appropriation approved by the Council under Financial Regulation 5.2 a), i.e. for unforeseen and mandatory expenditures.</p> <p>The proposed amendment is to rectify this omission.</p>

Reg. No.	Existing Text	Edited changes	New Complete Text	Comments/Justification
11.4	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding \$20 000 in original value, prior approval of the Finance Committee must be obtained.	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding CAD 20 000 in <del>original value</del> Net Book Value, prior approval of the Finance Committee must be obtained.	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding CAD 20 000 in Net Book Value, prior approval of the Finance Committee must be obtained.	a. The current Financial Regulations were adopted when the operating currency of the Organization was the US dollar. The Organization has since then adopted the Canadian dollar as its operating currency. Clarity in the denominated currency is being provided through an amendment to the Regulation; and b. Since transitioning to the International Public Sector Accounting Standards (IPSAS), the Organization has started to capitalize and depreciate fixed assets. Any reference to write-off action should be with Net Book Value which would reflect the amount being written off. Clarity is required in the Regulation so that old, obsolete items are not captured under its scope.

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## APPENDIX B

## DRAFT RESOLUTION FOR ADOPTION BY THE 39TH SESSION OF THE ASSEMBLY

## Resolution 55/1

## Amendment of the Financial Regulations

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

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

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

*The Assembly resolves* that the amendments as set out below to Financial Regulations 5.9, 7.3 and 11.4 are confirmed pursuant to Financial Regulation 14.1.

Reg. No.	Edited changes	New revised text
5.9	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding <del>40</del> 20 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly.	Transfers from one Strategic Objective or Supporting Strategy to another may be effected by the Secretary General up to an amount not exceeding 20 per cent of the annual appropriation for each of the Strategic Objectives or Supporting Strategies to which the transfer is made. Above this percentage, transfers between Strategic Objectives or Supporting Strategies may be effected by the Secretary General, with the prior approval of the Council after obtaining the advice of the Finance Committee. All transfers, including those that fall within the authority of the Secretary General, shall be reported to the Assembly.
7.3	b) the Working Capital Fund shall be utilized to make advances as necessary: i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose; ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and iii) in cases where the Council has approved appropriations under Regulations 5.2 a) and b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified.	b) the Working Capital Fund shall be utilized to make advances as necessary: i) to the General Fund to finance temporary cash deficits as a result of delays in receipt of income, the sums so advanced to be reimbursed as soon as receipts are available for the purpose; ii) to the relevant Joint Financing Fund for the operation of projects under agreements concluded under Chapter XV of the Convention, for the purpose of defraying expenses pending receipt of contributions assessable to participating States by virtue of these agreements, the outstanding balance of the sums so advanced not to exceed \$100 000 at any time and to be reimbursed as soon as receipts from participating States are available for the purpose; and iii) in cases where the Council has approved appropriations under Regulations 5.2 a) and b), to the relevant special fund created under Regulation 8.4 subject to the limit therein specified.

<b>Reg. No.</b>	<b>Edited changes</b>	<b>New revised text</b>
11.4	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding CAD 20 000 in <del>original value</del> Net Book Value, prior approval of the Finance Committee must be obtained.	The Secretary General may write off losses of cash, stores and other assets provided that a statement of all such accounts written off shall be submitted to the External Auditors with the annual accounts. For individual write-off actions exceeding CAD 20 000 in Net Book Value, prior approval of the Finance Committee must be obtained.

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