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Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2019



Documentation for the 41st Session of the ICAO Assembly in 2022

INTERNATIONAL CIVIL AVIATION ORGANIZATION



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**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2019**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITORS

FOR THE YEAR ENDED 31 DECEMBER 2019

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PART I: REPORTS BY THE SECRETARY GENERAL

INTERNATIONAL CIVIL AVIATION ORGANIZATION
PART I: REPORTS BY THE SECRETARY GENERAL
PRESENTATION

1. INTRODUCTION

1.1 In accordance with Article 12.4 of the Financial Regulations, I have the honour to submit to the Council for consideration and recommendation to the Assembly for approval of the financial statements of ICAO for the year ended 31 December 2019. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2019 financial statements are also submitted to the Council and Assembly as well as my comments (reflected in the Secretary General's Comments) thereon.

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

1.3 ICAO's membership comprises 193 Member States as of 31 December 2019. Its Headquarters are in Montreal and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris as well as a regional sub-office in Beijing.

1.4 ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Member States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last met in September 2019.

1.5 The Council, composed of representatives from 36 States, is elected by the Assembly for a three-year term and provides continuing direction to the work of ICAO. The Council is assisted by the Air Navigation Commission, the Air Transport Committee, the Finance Committee, the Committee on Unlawful Interference, Human Resources Committee, the Committee on Joint Support of Air Navigation Services, the Technical Co-operation Committee, the Relations with Host Country Committee, Edward Warner Award Committee, and the Committee on Cooperation with External Parties.

1.6 The Secretary General is head of the Secretariat and chief executive officer of the Organization responsible for the general direction of the work of the Secretariat.

1.7 The Secretariat consists of five main divisions: the Air Navigation Bureau, the Air Transport Bureau, the Technical Co-operation Bureau, the Legal Affairs and External Relations Bureau, and the Bureau of Administration and Services. The Secretary General is directly responsible for the management and effective work performance of the activities assigned to the Office of the Secretary General relating to Finance, Evaluation and Internal Audit, Ethics, Communications, Strategic Planning, Coordination and Partnership, Global Aviation Training and seven Regional Offices. The regional offices are primarily responsible for maintaining liaison with States to which they are accredited and with other appropriate organizations, regional civil aviation bodies and the United Nations Regional Economic Commissions. The regional offices promote implementation of ICAO policies, decisions, Standards and Recommended Practices (SARPs) and regional air navigation plans and provide technical assistance when requested.

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

2. OVERVIEW AND HIGHLIGHTS OF THE FINANCIAL STATEMENTS

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

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

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

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

2.4 The following paragraphs summarize the key information on the financial situation and performance of the Organization for 2019.

2.5 **Statement I** presents the financial position of the Organization. Assets totalling CAD 390.9 million at 31 December 2019 are mainly composed of cash and cash equivalents amounting to CAD 346.4 million and of assessments and other amounts receivable totalling CAD 33.8 million. Total liabilities amount to CAD 459.4 million, which include an amount of CAD 242.4 million representing advanced receipts mostly for Technical Co-operation projects, and an amount of CAD 164.3 million representing long-term liability for employee benefits recognized as required by IPSAS.

2.6 This statement also shows an accumulated deficit of CAD 71.5 million, caused by the need to record the employee benefit liabilities under IPSAS. Nonetheless, since current assets exceed current liabilities by an amount of CAD 82.9 million, it is not foreseen that additional funding will be necessary on a short term basis to cover the accumulated deficit.

2.7 **Statement II** presents the financial performance for the year 2019. Revenue from project agreements is recognized on the basis of services rendered and goods delivered to Technical Co-operation Projects (TCP). Revenue from assessed contribution is recognized when assessments are levied, generally at the beginning of the year when they become due and payable by Member States. Sales of publications are also recorded on the accrual basis of accounting, when publications are delivered. There is also a temporary adjustment made to assessed contributions revenue for an amount of CAD 1.2 million during 2019 in recognition of long-term receivables at fair value as required by IPSAS.

2.8 Total 2019 deficit amounts to CAD 6.0 million net of inter-fund eliminations. Table A shows the result by Fund or Group of Funds for the regular activities segment. Expenses include an amount of CAD 13.5 million recorded in the Revolving Fund to recognize employee benefits expense (ASHI, annual leave and repatriation benefits) on an accrual basis. In 2019, CAD 4.1 million was paid for those benefits and this amount is presented in the Revolving Fund as a funding source from other Funds. The difference of CAD 9.4 million between benefits accrued and benefits paid is included in the deficit for the year for that Fund. Explanations on the financial results and surplus of the Regular Budget Fund of the Regular Programme (CAD 0.8 million), of the ARGF Fund (CAD 0.2 million), and of the AOSC Fund (CAD 1.0 million) are provided in Section 3 below.

2.9 With regard to the Technical Co-operation Projects segment, there is no annual surplus or deficit for the year 2019 because revenue is recognized based on the stage of completion of projects, which is generally determined based on the costs incurred in each project. The cost of administration, operation and support to these projects is recognized in each project and the recovery of these administrative fees is recognized as revenue in the AOSC Fund.

2.10 **Statement III** provides changes in net assets during the year. The balance of Net Assets including reserves at the beginning of the year amounted to a net accumulated deficit of CAD 57.8 million. The balance of the net accumulated deficit at the end of 2019 was CAD 68.4 million. The increase to the accumulated deficit for 2019 is mainly caused by the deficit of the year of CAD 6.0 million, the actuarial loss of CAD 3.6 million on After-Service Health Insurance (ASHI), and a reduction of CAD 1 million resulting from reclassifications and transfers.

2.11 **Statement IV** gives the breakdown of the variation of cash flow from CAD 402.4 million at 31 December 2018 to CAD 346.4 million at 31 December 2019. The overall decrease is a combination of the reduction of TCP cash balance of CAD 48.5 million due to a reduced level of advanced receipts for TC Projects in 2019, along with a decrease in regular activities cash balance of CAD 7.5 million due to a significant increase in assessments receivable at the end of 2019. As permitted by IPSAS, the indirect method is used which is also the method adopted by ICAO in previous years.

2.12 **Statement V** shows a comparison between the budget (Regular Programme) and actual amounts. This Statement also reflects the status of appropriations including transfers and the amounts charged against the appropriations as required by Financial Regulation 12.1. **Statement V-A** includes all funds of the Organization and shows comparison between budget and actual amounts for funds for which the budgets are publicly available. This statement reconciles with the other financial statements and tables. These statements and Note 4 to the Financial Statements reflect the budget information required by IPSAS.

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Programme

3.1 The 39th Session of the Assembly in 2016, under Clause C of Resolution A39-37, voted appropriations in the amount of CAD 104 543 thousand for the year 2019. Details of appropriations, transfers, actual expenditure and unobligated balances of appropriations by Strategic Objective and Supporting Strategies are given in Statement V.

3.2 The budgetary appropriations for 2019, in thousands of Canadian dollars, are summarized as follows.

Original Appropriations	104 543
2018 Outstanding Commitments	18 747
Carry-over from 2018	<u>6 125</u>
Approved Revised Appropriations	<u>129 415</u>
2019 Outstanding Commitments	(16 441)
Carry-over to following year	<u>(7 225)</u>
Final Revised 2019 Appropriations	<u>105 749</u>

3.3 **2018 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 18 747 thousand was approved by the Secretary General to supplement the 2019 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2018.

3.4 **Carry-over from 2018.** In accordance with Financial Regulation 5.6, an amount of CAD 6 125 thousand was approved by the Secretary General to supplement the 2019 appropriations, financed by savings from 2018, for mandatory and other mission-critical activities that were not budgeted for in 2019.

3.5 **2019 Outstanding Commitments.** The value of obligations entered into in 2019, but delivery against which is only expected in 2020, is CAD 16 441 thousand. Therefore, an amount of CAD 16 441 thousand (also see Figure 1, column (e)), has been reserved and carried forward to 2020, pursuant to Financial Regulation 5.7 to clear legal obligations incurred during 2019.

3.6 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized transfer of the appropriations from one Strategic Objective (SO) or Supporting Implementation Strategy (SIS) to another, up to an amount not exceeding 20 per cent of the annual appropriation for each of the SO or SIS to which the transfer is made.

3.7 **Carry-over to Following Year.** Under Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations, not exceeding 10 per cent per appropriation for each SO or SIS. The amount of CAD 7 225 thousand is within this limit (5.6 per cent) and, therefore, the Secretary General has authorized the carry-over of this appropriation to 2020.

The carry over appropriation will be assigned to mission-critical and priority activities that were not funded by the 2020 budget. Due to the Coronavirus disease (COVID-19) pandemic in 2020, only a small portion of the savings carry-over has been approved for specific activities, with the remainder temporarily held back due to a potential cash deficit in the Regular Budget. Additional funding for any critical priority activities may be approved as necessary.

Important activities already funded by the savings carry-over include the implementation of the Business Continuity Plan as a result of the Coronavirus disease (COVID-19) pandemic situation in the first quarter of 2020, costs related to ICAO COVID19 priority activities to deal with urgent needs of the aviation sector, and costs related to the Finance Committee (FIC) Guidance Package initiative on *Information Technology and cyber security review and reform*.

3.8 As a result of the increases and transfers outlined in the preceding paragraphs, the final revised appropriation for the year amounted to CAD 105 749 thousand.

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

FIGURE 1

	<u>2019</u> <u>Budget</u> ¹	<u>Actual</u> ²	<u>Exchange</u> <u>Differences</u>	<u>Actual</u> <u>at Budget</u> <u>Rate</u> ³	<u>2019</u> <u>Outstanding</u> <u>Commitments</u>	<u>Total</u>	<u>Difference</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
				= (b)+(c)		= (d)+(e)	= (f) - (a)
REVENUE							
Assessed Contributions	96 181	109 817	(12 287)	97 530		97 530	1 349
Other Revenue							
ARGF	6 416	6 416		6 416		6 416	
Miscellaneous	410	1 274		1 274		1 274	864
Reimbursement from AOSC	1 202	1 202		1 202		1 202	
Transfer from Incentive Scheme Account	334	334		334		334	
	104 543	119 043	(12 287)	106 756		106 756	2 213
EXPENSES							
Staff salaries and employment benefits	99 479	91 295	(8 066)	83 229	10 856	94 085	(5 394)
Supplies, consumables and others	1 116	591	(83)	508	244	752	(364)
General operating expenses	19 783	15 400	(736)	14 663	5 251	19 915	132
Travel	6 119	5 729	(407)	5 322		5 322	(797)
Meetings	2 504	1 949	(132)	1 817	74	1 891	(613)
Other expenses	414	253	(43)	210	16	225	(189)
Currency exchange difference		2 610	(2 610)				
	129 415	117 826	(12 077)	105 749	16 441	122 190	(7 225)

¹ 2019 Budget-Expenses include carryover (and commitments) from prior year of CAD 24 872 thousand.

² Calculated from Regular Budget column of Table A, Part IV of this document, excluding Working Capital Fund

³ Includes (1) budget exchange gain of CAD 12 287 thousand for assessed contributions due to impact of US dollar transactions budgeted at USD1.00=CAD1.00, (2) budget exchange difference of CAD 9 467 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures for accounting purpose during the year, and (3) currency exchange difference of CAD 2 610 thousand for the year for General Fund.

3.10 **Explanation of Differences – Revenues.** The overall budget of CAD 104 543 thousand (Figure 1, column (a)) includes five main funding sources of the Regular Programme Budget for 2019: Assessed Contributions, ARGF Surplus, Miscellaneous Income, Reimbursement from AOSC Fund, and Transfer from Incentive Scheme Account. For the *Assessed Contributions*, the difference of CAD 1 349 thousand pertains to additional assessments from two new Member States (CAD 108 thousand) as well as the discounted amount of the long-term contributions receivable (CAD 1 241 thousand). For the *Miscellaneous*, the difference is mainly due to higher interest earned than had been budgeted.

3.11 **Explanation of Differences – Expenses.** The overall budget of CAD 129 415 thousand (Figure 1, column (a)) includes the 2019 original appropriations of CAD 104 543 thousand, the carry-over from 2018 along with 2018 Outstanding Commitments of CAD 24 872 thousand. Savings (unutilized appropriations) from 2019 of CAD 7 225 thousand will be carried over to 2020.

3.12 **Exchange Differences.** The exchange differences arise due to the need to convert transactions in currencies other than CAD to CAD using the UN rate of exchange in the preparation of the financial statements under IPSAS; and to convert revenue and expenses at budget rate for comparison

with approved budgets. Budget exchange differences in (Figure 1, column (c)) are composed of the following:

- a) The exchange gain of CAD 12 287 thousand on assessments represents the calculated positive differences between assessments budgeted at budget rate for the triennium and at the UN operational rate of exchange when assessments are levied. Since 2010, the split assessment system is in place and Member States are being invoiced partly in USD and partly in CAD. The USD/CAD exchange rate on 1 January 2019 (the date when invoices were raised in USD) was higher than the rate used in the 2019 budget, resulting in a positive difference to total assessed contributions of CAD 12 287 thousand; and
- b) The exchange difference of CAD 9 467 thousand on expenses is due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenses during the year. This exchange difference has been allocated to actual expenses in order to restate it to the approved budget exchange rate. The total expenses restated at the budget rate are shown in Figure 1, column (d).

In this manner, the budgetary savings i.e. difference between budget and actual expenses, have been appropriately adjusted, as shown in Figure 1, column (g). The currency exchange difference of CAD 2 610 thousand (Figure 1, column (b)) recognized on the IPSAS basis, relates mainly to negative differences from the revaluation of assets and liabilities in CAD initially recorded in other currencies.

Assessment and Reporting Currencies

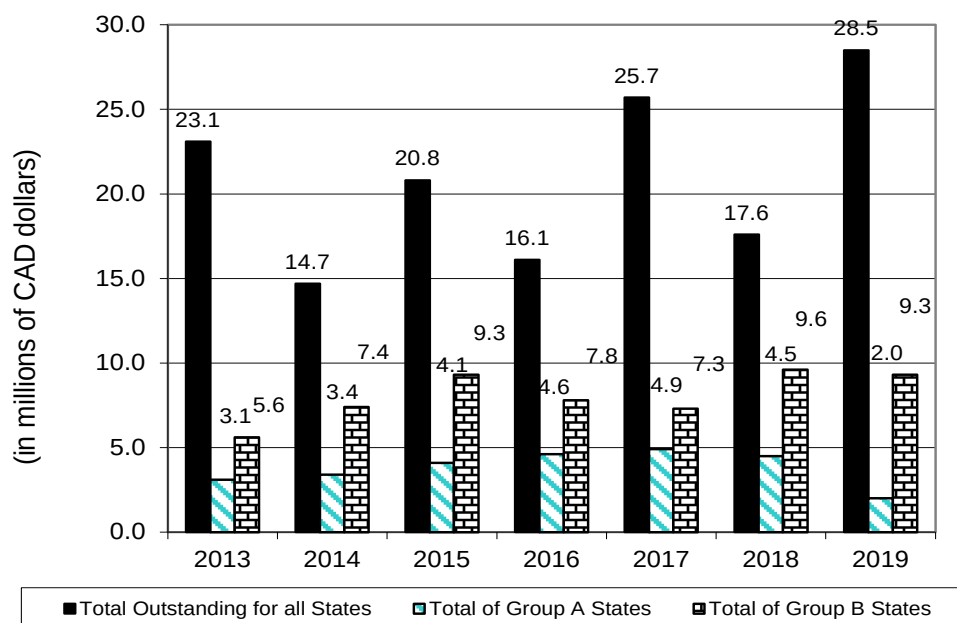
3.13 Assessments on Member States and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010, a split assessment was introduced with about three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars and the financial statements are presented in Canadian dollars from 2008 onwards. This change is applicable to most of the Funds of the Organization for regular activities presented in Segment 1, while Funds presented in Segment 2 related to Technical Co-operation Projects are recorded in U.S. dollars, but presented in Canadian dollars in the financial statements. During 2019, the fluctuation of the Canadian dollar against the U.S. dollar was CAD 1.365 at the beginning of the year and CAD 1.309 at the end of the year.

Assessments and Other Voluntary Contributions

3.14 During the year 2019 assessments totalling CAD 90 598 thousand were received and a balance of CAD 17 985 thousand remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 15 782 thousand was receivable from States in respect to 2018 and prior years; payment of CAD 6 062 thousand was received, leaving a balance outstanding of CAD 9 720 thousand. The assessments receivable for all years totalled CAD 27 704 thousand as at 31 December 2019 (including the Working Capital Fund). CAD 27 704 thousand includes a USD assessment component converted at CAD 1.309 yielding a re-valued assessment receivable balance of CAD 28 466 thousand. Details are provided in Table B of Part IV to this document. The percentage of receipts of contributions for the last four years in relation to the amount assessed averaged 90.24 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2013.

FIGURE 2

Assessments Receivable from Member States as at 31 December 2019



3.15 Of the total outstanding contributions of CAD 28 466 thousand at 31 December 2019, CAD 15 521 thousand pertained to States represented on the Council. The following figure provides details of the assessments receivable in thousands of CAD, by group of States:

FIGURE 3

	Number of States 2019	Amount Outstanding as at 31 Dec 2019	Number of States 2018	Amount Outstanding as at 31 Dec 2018
Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years	8	1 994	10	4 545
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	14	9 278	16	9 560
Group C: States with contributions in arrears for less than three full years	7	749	9	1 217
Group D: States with contributions outstanding only for the current year	19	15 776	19	1 605
Sub-total	48	27 797	54	16 927
The Former Socialist Federal Republic of Yugoslavia	-	669	-	697
Total Outstanding Contributions	48	28 466	54	17 624

3.16 As at 31 December 2019, 8 States had concluded agreements to liquidate their arrears over a period of years. The agreements provide for these States to effect payment of the current year's contribution as well as an annual instalment payment towards the prior year's arrears. The note on Table B of Part IV to this document, indicates the States that had not complied with the terms of their agreements at 31 December 2019.

3.17 Major contributions (*) received for the Regular Programme and other Funds in Segment 1 for 2019 are summarized in thousands of CAD below:

FIGURE 4

Member States	Regular Budget Assessments Received	Contributions In-Kind (premises)	Other Contributions In-Cash and In-Kind	Total
Canada	2 831	25 179		28 010
China	8 623		2 977	11 600
United States	7 684		1 952	9 636
Japan	8 135		110	8 245
Germany	5 944		0.13	5 944
France	4 480	747	137	5 364
United Kingdom	4 632		232	4 864
Thailand	640	2 489	79	3 208
Russian Federation	3 005		159	3 164
Italy	2 983		160	3 143
Republic Korea	2 365		204	2 569
Saudi Arabia	1 215		1 346	2 561
	52 537	28 415	7 356	88 308

(*) Twelve highest contributions

3.18 Total expenses in 2019, including those for seconded staff, gratis personnel, and premises provided without charge, by Strategic Objective and Supporting Implementation Strategies (SIS) and for other activities (mainly relating to Revolving Fund, Ancillary Revenue Generation Fund, and Administrative and Operational Services Cost Fund which are detailed in the later part of the document) are shown in thousands of CAD below:

FIGURE 5

	Safety	Air Navigation Capacity and Efficiency	Security and Facilitation	Economic Development of Air Transport	Environment al Protection	Supporting Strategy	Others	Total
Regular Budget	27 069	17 547	10 947	3 355	4 358	51 940		115 216
Voluntary Funds and other Regular Activity Funds	3 918	2 413	3 972	84	4 747	849	37 974	53 957
Premises						29 625		29 625
Gratis Personnel ⁽¹⁾:								
China	333	309		339		994		1 975
Singapore	396	371				169		936
France	233	184	397					814
Turkey		460		220				680
United States		439						439
Japan		219	131					350
Canada						222		222
United Kingdom		222						222
Korea							203	203
Saudi Arabia			160			40		200
Others ⁽²⁾	297	768	58	18		26		1 167
Sub-total Gratis Personnel	1 259	2 972	746	577		1 451	203	7 208
Total Expenses	32 246	22 932	15 665	4 016	9 105	83 865	38 177	206 006

⁽¹⁾: Ten highest contributions

⁽²⁾: Including contributions from private sectors, international organizations, NGOs, etc.

Accumulated Deficit, Cash Surplus, and Reserves

3.19 The cumulative surplus excluding reserves in Net Assets for the Regular Programme Budget at 31 December 2019 reflected in Table A of Part IV to this document amounted to CAD 22.6 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.5 million and assessments receivable from Member States of CAD 27.7 million resulted in a cash deficit of CAD 15.6 million at 31 December 2019.

3.20 Reserved surplus for the Regular Programme totalling CAD 19.2 million includes an amount of CAD 23.7 million to finance 2019 outstanding commitments and appropriations carried over to 2020, plus unrealized cumulative exchange gain of CAD 3.1 million, offset by an unrealized discount and provision on assessments receivable of CAD 7.6 million.

3.21 Combined net accumulated surplus and deficits of all ICAO's Funds including reserves represent a deficit of CAD 68.4 million as at 31 December 2019. These amounts are presented in Table A and Table C of Part IV to this document.

Revolving Fund

3.22 The Revolving Fund was established effective 1 January 2008 under Financial Regulation 7.8 to record all transactions relating to after-service health insurance (ASHI) benefits, including related unfunded liabilities, and any other unfunded liabilities and deficits of the Organization following the application of IPSAS. After-service benefits reflected in this Fund are for ASHI, annual leave and repatriation benefits. Since its inception, the Fund has accumulated annual deficits as the annual funding by the Regular Programme for these benefits is not sufficient to finance the yearly cumulative accrued benefits. During 2019, the accumulated deficit of the Fund including reserves continued to grow to reach CAD 168.3 million at the end of the year as follows:

	Net Accumulated Deficit at end of 2018	CAD 155.3 million
Add:	Employee benefits accrued during the year	CAD 13.5 million
Deduct:	Current service costs paid during the year	CAD 4.1 million
Add:	Actuarial loss on ASHI for 2019	<u>CAD 3.6 million</u>
	Net Accumulated Deficit at end of 2019	<u>CAD 168.3 million</u>

3.23 In April 2016, a Working Paper (C-WP/14478) was presented to the Council proposing a number of options for funding ASHI. In June 2016, the Council requested the Secretariat to explore the feasibility of incentivizing retirees to opt-out of the ASHI scheme as one option to deal with the ASHI liability (C-DEC 208/11). The Council also requested the Secretariat to continue monitoring developments at the UN level vis-à-vis finding a solution to this important issue and to present any viable options for funding ICAO's growing ASHI liability for the Council's consideration at a later stage.

3.24 During 2018, the Secretariat conducted a stakeholder survey of active staff and retirees on the feasibility of an opt-out option of the ASHI scheme. The result showed that a great majority of active staff and retirees wished to remain under the current ASHI arrangement. In 2019, the Council acknowledged the potential risk the ASHI-related liability could pose to ICAO and decided that it would not be in the best interest of the Organization to pursue any proposal to incentivize retirees or staff to opt-out of the ASHI scheme and that the Secretariat should therefore continue to apply the "pay-as-you-go" approach (C-DEC 217/16 refers). ICAO will continue to work closely with other UN organizations on the ASHI matter and will keep the Council abreast on any developments.

Ancillary Revenue Generation Fund (ARGF)

3.25 ARGF reported an operating surplus of CAD 11 119 thousand in 2019. After transfers of the required contribution of CAD 6 416 thousand to the Regular Programme Budget, further contribution of CAD 2 648 thousand to ICAO Work Programme, and expenses of CAD 1 950 thousand approved from reserves to finance various projects of the Organization, the net annual surplus amounts to CAD 185 thousand.

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

FIGURE 6

	Revenue	Expense	Surplus
Publications, distribution & printing	8 415	3 773	4 642
Training (incl. Trainair Plus)	5 892	5 203	689
Licensing	3 739	357	3 382
Events	3 331	2 651	680
Delegation and conference services	2 942	1 565	1 377
New products	1 404	863	541
Periodicals	644	626	18
ARGF operations and admin. fee & support costs	634	761	(127)
Commissariat	409	412	(3)
Operating results	27 410	16 211	11 199
ARGF inter-billing elimination	(473)	(473)	-
	26 937	15 738	11 199
Amount transferred to Regular Programme budget		6 416	(6 416)
further contribution to ICAO work programmes		2 648	(2 648)
	26 937	24 802	2 135
Expenses of special projects approved from reserves		1 950	(1 950)
Net surplus for the year	26 937	26 752	185

3.27 A budgetary comparison of the operating surplus is presented in the figure below in thousands of CAD:

FIGURE 7

	Actual	Budget	Variance
Revenue	27 410	26 839	571
Expense	16 211	17 126	915
Surplus	11 199	9 713	1 486

3.28 ARGF achieved an operating revenue of CAD 27 410 thousand (2% above budget) and an operating surplus of CAD 11 199 thousand (15% above budget). With approximately 75% of the 2019 ARGF sales priced in US dollars, the favourable USD/CAD exchange rate continued to have a favourable impact on the ARGF revenue. Actual expenses amounted to CAD 16 211 thousand (5% below budget).

3.29 The cumulative surplus excluding reserves in the Net Assets for ARGF at 31 December 2019 reflected in Table A of Part IV to this document is CAD 249 thousand. Reserves of CAD 18 371 thousand is comprised of:

ARGF 25% Operational Reserve	6 229
Additional contribution to RP 2020-2022 budget	5 700
Earmarked for special projects	<u>6 442</u>
Total	<u>18 371</u>

Administrative and Operational Services Cost Fund (AOSC)

3.30 The AOSC Fund is established to meet the cost of administration and operation of the Technical Cooperation Programme (TCP), and is primarily financed from support costs charged to TC Projects, which include UNDP arrangements and projects managed under Trust Fund Agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). The financial results for the AOSC Fund are reported in Table A of Part IV to this document. A budgetary comparison is presented in Figure 8 in thousands of CAD.

3.31 Supplemental to the AOSC Fund, the Technical Cooperation Bureau (TCB) Efficiency and Effectiveness Fund was established by the Council (C-DEC 155/7 and increased in C/DEC 172/8) authorizing the Director of TCB to dispense, in any given year, up to 25 per cent of the AOSC Fund's annual surplus in the preceding year for the implementation of measures to improve the efficiency and effectiveness of TCB in responding to Contracting States' needs. The TCB Efficiency and Effectiveness Fund's accumulated surplus stood at CAD 1.5 million as at 31 December 2019.

3.32 In addition, a Special Reserve Fund was established (C-DEC 200/2) for the Technical Cooperation Programme to compensate for a possible shortfall caused by a decrease in the AOSC Fund income in any given year that would impact its ability to make the approved annual transfer to the Regular Budget as described in paragraph 3.36 below. In this regard, no amount has been drawn from the TCB Special Reserve Fund since its inception in 2014 due to the AOSC Fund's positive results during the reporting period and its balance at the end of the current triennium, which stood at CAD 2.6 million as at 31 December 2019, has been subsequently transferred to the AOSC accumulated surplus.

FIGURE 8

AOSC Fund Budget and Expenditures for 2019¹

	Submitted to the Assembly ²	Revised Budget 2019 ³	Actual Expenditure/ Income 2019	Balance of Revised Budget
Appropriation/Expenditure				
Major Programme	9 930	<u>10 344</u>	<u>10 377</u>	<u>(33)</u>
Income		<u>11 630</u>	<u>11 812</u>	
Excess/(Deficit) of Income over Expenditure		<u>1 286</u>	<u>1 435</u>	

¹ Excludes TCB Efficiency and Effectiveness Fund and Special Reserve Fund (SRF).

² Approved by the Assembly in 2016 (A39).

³ Noted by the Council at its 218th Session (C-WP/14960).

3.33 As indicated above, the Assembly approved the Indicative Budget Estimates (expenditure) of the AOSC Fund amounting to CAD 9 930 thousand for the financial year 2019. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update

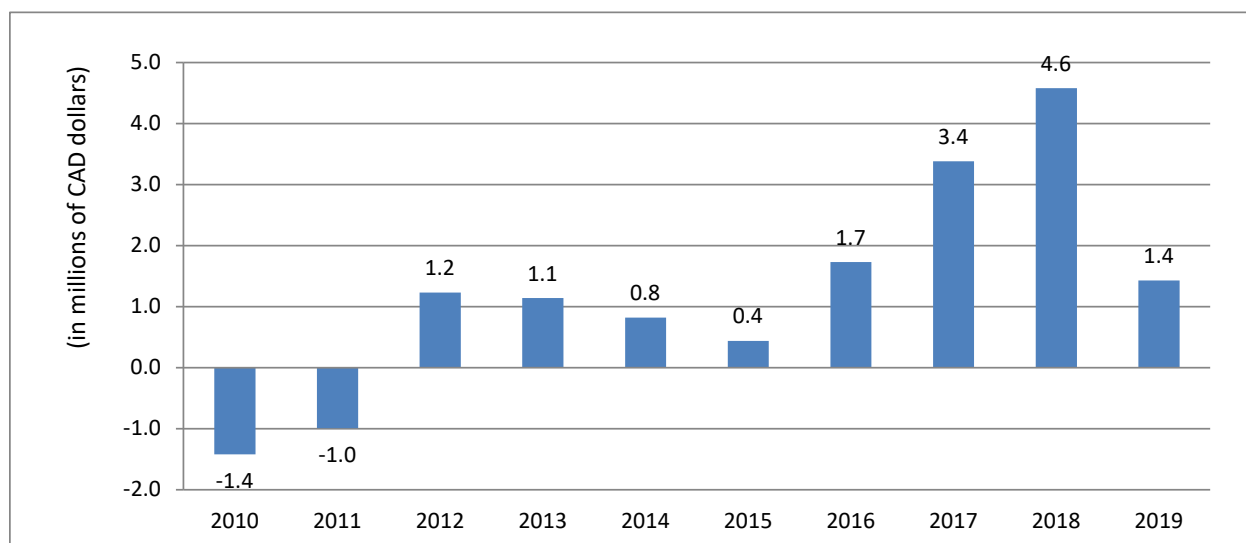
of the 2019 Budget Estimates (expenditure) in C-WP/14960. The revised estimated expenditures for 2019 amounted to CAD 10 344 thousand and the estimated income to CAD 11 630 thousand.

3.34 There is an excess of CAD 182 thousand in AOSC income versus budget mainly as the result from the continued strength of the US dollar in which the AOSC income is earned, higher return from investments, and an increase in administrative income from Technical Cooperation projects. On the expenditure side, staff costs slightly exceeded the budgeted amount by CAD 33 thousand and the overall result was a total positive variance of CAD 1 435 thousand between income and expenditures.

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

FIGURE 9

AOSC Fund Surplus and Shortfall as at 31 December



3.36 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Programme and the Technical Cooperation (TC) Programme be reported to the Council for review. The Council had considered this issue and based on a time survey, approved in 2012, the amount of CAD 1 202 thousand to be recovered annually by the Regular Programme from the AOSC Fund for Regular Programme Support directly related to projects continuing for the 2017-2019 triennium.

Technical Cooperation Programme

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

3.38 A rolling three-year Operating Plan for TCB is prepared in close coordination with the Technical Cooperation Committee, setting the goals and strategies to be followed during the current

period with the aim at improving the governance, efficiency and quality of ICAO Technical Cooperation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through a review of the TCB organizational structure, staffing levels, cost savings and efficiency measures.

3.39 Technical Cooperation Projects represent one of the main activities of the Organization. Projects are financed by governments and other donors and the inflows and outflows of financial resources totalled CAD 140.3 million in 2019 (CAD 170.6 million in 2018). Tables C to E in Part IV of this document provide more details on these projects, summarized by the following figures in millions of CAD.

FIGURE 10

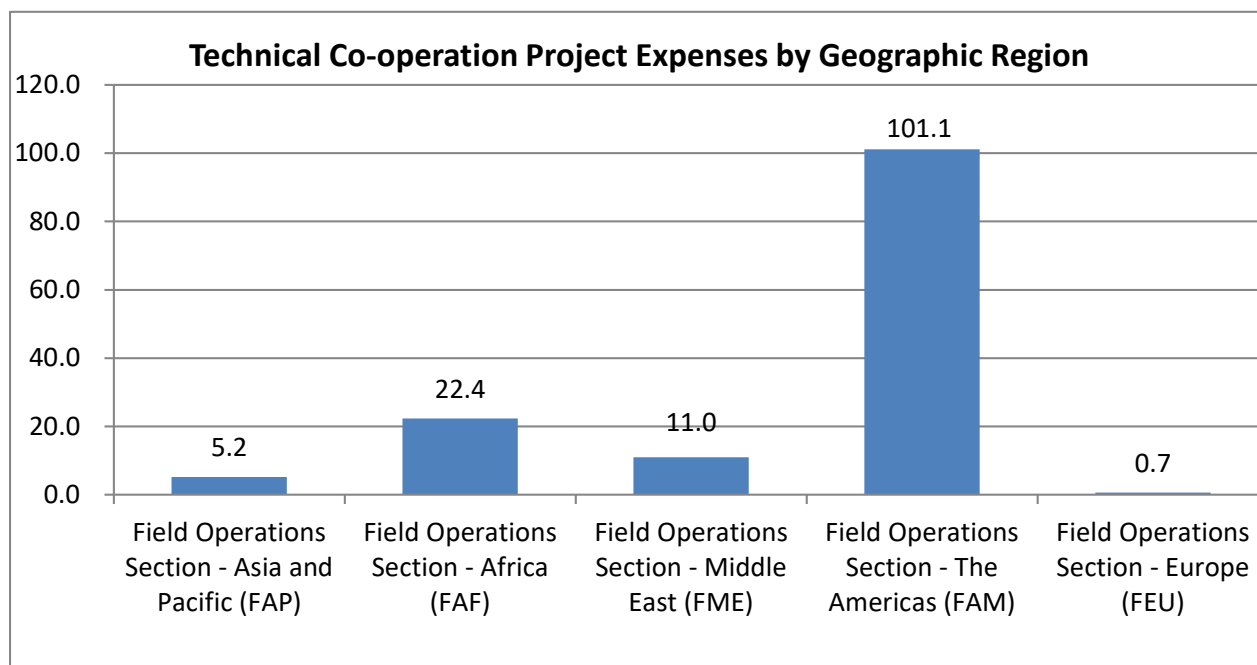
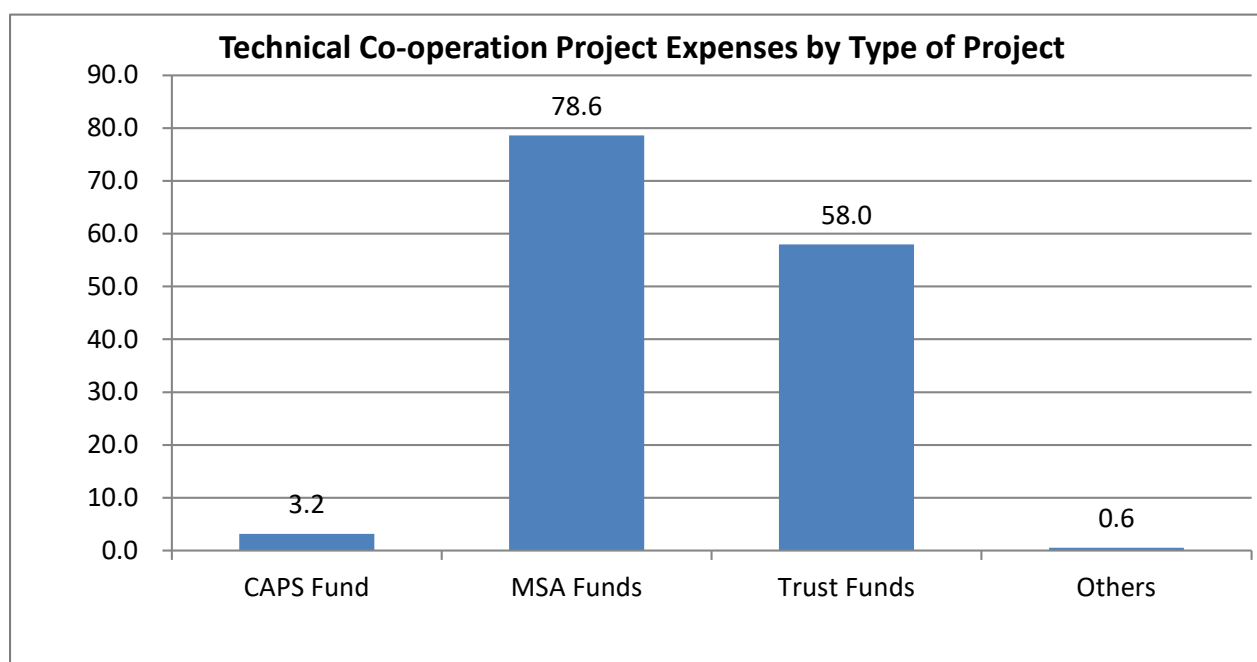


FIGURE 11



4. RESPONSIBILITY OF MANAGEMENT

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

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

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

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

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



Monica Hemmerde
Chief, Finance Branch

As the Secretary General of the International Civil Aviation Organization, I hereby approve and submit this financial report of ICAO, accompanied by the Financial Statements and Tables for the year 2019.



Fang Liu
Secretary General

Montréal, Canada
31 March 2020

Statement on Internal Control

2019

Scope of responsibility

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

Purpose of the system of internal control

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

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

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

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

Capacity to handle risk

5. ICAO initiated in 2012 the deployment of a conceptual framework of internal control that includes a risk management system. ICAO's approach to risk management is an integral and systematic process that is identifying, mitigating, monitoring and communicating top risks to the Organization. A new Enterprise Risk Management (ERM) Policy has been developed this year to enable the Organization to better integrate risk management into significant activities and functions, thereby enhancing the decision making process.

6. Since 2017, the Strategic Planning, Coordination and Partnerships (SPCP) Office, under the Office of the Secretary General (OSG), has assumed responsibility for the coordination of high-level and cross-cutting strategies and priorities among the different Bureaus and Offices of the Organization as well as the coordination activities between Headquarters and the Regional Offices. In particular, SPCP is responsible for the development and maintenance of the ICAO Business Plan and Operating Plan, the Corporate Performance Management Framework, the Corporate Key Performance Indicators and the Risk Registry, which forms the basis for resource allocation and assists me to monitor its accountability and performance with respect to the implementation of Assembly Resolutions and Council Decisions. Further to an EAAC recommendation, the delegation of authority to manage ICAO's Internal Control Framework has been transferred from the Finance Branch to SPCP in 2018, in order to promote a wider view that would encourage ownership of internal controls by the Organization as a whole. Furthermore, it is

considered a more suitable placement of the function since the Finance Branch itself is an integral part of the internal control process.

7. As the Secretary General of the Organization, in collaboration with the Senior Management Group (SMG), composed of my key managers, I am responsible for establishing the control environment and providing the discipline and structure for the achievement of the primary objectives of the system of internal control. The Secretariat is committed to the adequacy of the ICAO Corporate Risk Register and to ensure that the process of identifying, assessing and monitoring risks associated with the implementation of programs and projects as well as the overall operations of the Organization, exists and is functioning as intended.

Risk and internal control framework

8. The Organization's risk and internal control framework includes:

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

9. A comprehensive "Internal Control System Framework" has been designed to ensure that the Organization's objectives are achieved efficiently through the establishment of five criteria based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which represents best practices adopted by several United Nations Organizations. The Framework is supported by a range of assertions confirmed by senior managers and a range of policies, procedures and processes underpinned by appropriate ethical values. Furthermore, in June 2018 the ICAO Council endorsed the establishment of an Investigations Committee (C-DEC 214/11) in order to reinforce the Organization's capacity to investigate allegations of wrongdoing.

10. Furthermore, my senior managers and I are committed to a continuous improvement program to strengthen the system of internal controls across the Organization.

Review of effectiveness

11. My review of the effectiveness of the system of internal controls is mainly informed by:

- a) my senior managers, in particular Directors of Bureaus and Chiefs of Offices who play important roles and are accountable for expected results, performance, controlling their Bureaus/Office activities and the resources entrusted to them. The information channels rely mainly on periodic meetings held by the Senior Management Group (SMG) and the full SMG of the Secretariat. For the year ended 31 December 2019, control issues, together with remedial actions, have been identified through a self-assessment process and also the application of best practices, as confirmed by my senior managers' personal written attestation;
- b) the Evaluation and Internal Audit Office (EAO) of whose reports on internal audits, evaluations and advisory services and the External Auditor, who provides reports on both the compliance of the accounts with the financial regulations and on the performance of selected areas of ICAO, are also provided to me. These include independent and objective

information on compliance and program effectiveness, together with recommendations for improvement;

- c) the Ethics Officer, who provides advice and counsel to the Organization and its staff on ethics and standards of conduct, and promotes ethical awareness and responsible behavior in handling referrals concerning allegations of unethical behavior, including conflict of interest;
- d) the Evaluation and Audit Advisory Committee (EAAC), whose purpose is to advise me and the Council on risk management, financial and internal controls and the related functions of oversight;
- e) the reports of the Joint Inspection Unit of the United Nations system on matters applicable to ICAO; and
- f) Council's observations and decisions.

Significant internal control issues

12. As in previous years, senior management has submitted management assurance statements and declarations (MASDs) on the effectiveness of internal controls in their areas of responsibility. The 2019 statements of assurance on the effectiveness of internal control, reported by senior management, show the following areas of improvements to ensure:

- a) Management and staff are aware of all internal policies and procedures that are related to performing all significant administrative processes specific to their Bureau/Office's operations;
- b) Performance and Competency Enhancement (PACE) Reports are prepared for each staff member on a yearly basis;
- c) Risk registers are reviewed and kept up to date; the likelihood of occurrence and potential impact (monetary and otherwise) needs to be better evaluated including risks that have been categorized as tolerable or requiring action;
- d) Awareness that an executive information system exists in order to provide timely information and reports to ensure report details are appropriate for the level of management and that data is summarized to facilitate decision making;
- e) Management performs a mid-year review on the previously identified internal control improvement areas;
- f) Internal controls are subject to a formal and continuous internal assessment process;
- g) Results and deliverables for regular program activities are regularly updated in the performance management tool and are consistent with expected results; and
- h) Management completes the self-assessment questionnaire regularly including periodically evaluating the effectiveness of its risk assessment process.

13. The current Internal Controls Framework along with the MASD questions will be updated this year to support the new ERM Policy and ensure proper internal controls are in place at ICAO to address some of the above internal control weakness areas.

14. EAO has submitted to Council its 2019 Annual Report of the Chief of the Evaluation and Internal Audit Office (C-WP/14990). Summarized below are the key risks/challenges and control issues contained

in the report that aim at improving internal controls. All control weaknesses identified through internal audits and evaluations are addressed through corresponding Secretariat Action Plans that are regularly monitored by EAO:

- a) **Cybersecurity:** Following the serious cyber-attacks targeting ICAO and serious logical security weaknesses which exposed ICAO to huge financial, operational and reputational risks, cybersecurity remains as a top risk for the Organization. This requires continued, concerted effort by all ICAO Bureaus and ICT to further enhance not only the technical infrastructure but also enhance awareness among ICAO staff on cybersecurity issues.
- b) **Financial Management and Sustainability:** Scarcity of financial resources coupled with budgetary constraints and efficiency issues pose a constant risk for the Organization in achieving expected outcomes and limiting its capability to effectively assist the Member States and embark on new activities.
- c) **Enterprise Risk Management (ERM):** Establishing an organization-wide ERM is in initial stages at ICAO. A full implementation will require active involvement from Senior Management, appropriate allocation of financial and human resources and a realistic timeline to successfully complete this crucial initiative, which is also closely linked to an accountability framework and results-based management.
- d) **Organizational Resilience Management:** This requires robust Business Continuity Management and Disaster Recovery procedures. Currently, due to lack of an appropriate level of preparedness and a lack of maturity of these mechanisms and procedures, ICAO is exposed to serious risks in case of business interruptions.
- e) **Third-Party Risk Management:** Heavy reliance on short-term consultants, whose number has been exponentially growing over the past few years and some of whom have been assigned sensitive core functions is a key risk facing ICAO. This, coupled with lack of proper vetting of consultants and increasing number of outsourcing of IT services to third-party service providers, necessitates ICAO to effectively identify and manage third-party related risks as a matter of priority and in a strategic manner.
- f) **Talent Management/Succession Planning:** ICAO is facing challenges in attracting, retaining and developing talent and ensuring smooth succession of key positions. Acquiring new talent and maintaining institutional memory are of paramount importance for ICAO to achieve its mandate and effectively serve its Member States in a constantly changing global environment.
- g) **Data Protection and Management:** Weak data protection and data management procedures remain a key challenge for ICAO, which increases the risks relating to data breaches, lack of confidentiality, integrity and availability of data. Inability to utilize modern IT tools that would enable productivity and efficiency gains also remain a key challenge for ICAO which mainly functions in a paper-based environment.
- h) **Accountability Framework:** ICAO does not have a fully developed organization-wide accountability framework linked to results, but does have some components in place to make staff and Bureaus accountable for the delivery of outputs (e.g., the PACE system, annual reporting by Bureaus, etc.). Demonstrating the contribution of the outputs and the work of the Organization to the achievement of outcome-level results needs to be significantly enhanced, which is also a key requirement of a well-established results-based management system.
- i) **Organizational Culture:** Lack of a robust and stable Ethics Framework coupled with a lack of policy and procedures and inconsistent implementation of existing procedures could be

cited among those factors that hampered ICAO's efforts to enhance its control environment, but also damaged the Organization's reputation and deteriorated the working environment.

- j) **Timely Implementation of Oversight Recommendations:** Despite the good efforts of the Secretary General, ICAO still faces challenges to implement oversight recommendations in a timely manner to bring about the expected improvements/enhancements to its systems, procedures and processes.

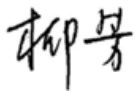
15. The Evaluation and Audit Advisory Committee (EAAC) in its Annual Reports to the Council draws the attention of the Secretariat to a need to further enhance the system of internal controls in ICAO. I fully agree with the EAAC's view that managing and engaging effectively with **risk** is critical to the success of an organization and embedding a positive risk culture within an organization is an iterative process that takes time to mature. The EAAC noted some progress over the past 12 months with the articulation and inclusion of regional risks in the risk register. Regarding the integrity of internal controls, EAAC reviewed the 2018 Statement on Internal Control (SIC) and considers this Statement should be the culmination of all the assurances received on internal controls and processes, and that it should be fully supported by appropriate evidence. However, the absence of a clearly articulated framework and depth of expertise make embedding risk management practices more challenging. Considering the importance of a well-established internal control framework and ERM, ICAO hired a consultant to help develop and implement an enterprise risk management (ERM) program by the end of 2020.

16. Furthermore, the Management Assurance Statements (MAS), was combined with the Bureaus/Offices' declaration (hence now called "MASD") and has been updated and further refined into one document that provides the basis of the consolidated Statement of Internal Controls (SIC). Finally, a presentation on ERM and internal controls was provided at the February 27, 2020 FSMG meetings. An updated MASD, and Internal Control Framework to align with the new ERM Policy will be provided for the 2020 SIC.

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

18. Based on the above, I conclude to the best of my knowledge and information, that ICAO operated satisfactory systems of internal control for the year ended 31 December 2019 and up to the date of approval of the financial statements.

19. In 2020, ICAO will continue its work on internal control and governance, focusing in particular on the review of overall Organization's internal control framework and the governance process.



Fang Liu
Secretary General

Montréal, Canada
31 March 2020

PART II: OPINION OF THE EXTERNAL AUDITOR



Corte dei conti

AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2019, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2019, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial

Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2019.

Emphasis of matter – Covid-19 pandemic and subsequent events

Without modifying our opinion, we draw attention to the Notes to the financial statements, which describe the situation in the context of the Covid-19 global pandemic declared by the World Health Organization in March 2020. The situation is constantly evolving and the measures put in place are having multiple impacts on local, regional, national and global economies. Management is closely monitoring the situation and, when possible, has duly considered in the Notes the subsequent events after the reporting date. However, the overall effect of these events on the Organization and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

As a result, we are unable to estimate the potential impact on the Organization's operations as at the date of these financial statements.

Emphasis of matter – Impact of actuarial liabilities

We also draw attention to the fact that the Statement of financial position shows a negative Net Asset (-68.4 MCAD), mainly due to the impact of 164.3 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Management is acting according to its competences and powers and is constantly monitoring the situation. Council is warned on the need to consider further actions in a long-term perspective. Our opinion is not modified in respect of this matter.

Rome, 15 October 2020

Guido Carlino
President of the
Corte dei conti



PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019
(in thousands of Canadian dollars)

	Notes	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2.1	346 365	402 414
Assessed contributions receivable from Member States	2.2	16 599	2 847
Receivables and advances	2.3	12 584	17 466
Inventories	2.4	696	550
Others	2.3	1 674	2 177
		377 918	425 454
NON-CURRENT ASSETS			
Assessed contributions receivable from Member States	2.2	4 322	5 963
Receivables and advances	2.3	312	373
Property, plant and equipment	2.5	6 369	4 391
Intangible assets	2.6	2 003	700
		13 006	11 427
TOTAL ASSETS		390 924	436 881
LIABILITIES			
CURRENT LIABILITIES			
Advanced receipts	2.8	242 425	304 944
Accounts payable and accrued liabilities	2.9	43 320	29 207
Employee benefits	2.10	7 648	7 944
Credits to contracting/servicing governments	2.11	1 635	1 562
		295 028	343 657
NON-CURRENT LIABILITIES			
Employee benefits	2.10	164 329	151 001
		164 329	151 001
TOTAL LIABILITIES		459 357	494 658
NET ASSETS			
Accumulated deficit	2.12	(71 540)	(53 911)
Reserves	2.12	3 107	(3 866)
		(68 433)	(57 777)
NET ASSETS (ACCUMULATED DEFICIT)		(68 433)	(57 777)
TOTAL LIABILITIES AND NET ASSETS		390 924	436 881

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT II
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Canadian dollars)

	Notes	2019	2018
REVENUE			
Contributions for project agreements	3.2	138 172	169 439
Assessed contributions	3.2	109 824	98 400
Other revenue producing activities	3.2	25 395	25 549
Other voluntary contributions		16 511	14 532
Administrative fee revenue		3 644	3 721
Other revenue	3.2	3 760	9 852
TOTAL REVENUE		297 306	321 493
EXPENSES			
Staff salaries and employee benefits	3.3	172 118	173 568
Subcontracts, supplies and consumables	3.3	86 791	101 368
General operating expenses	3.3	19 993	17 876
Travel	3.3	13 927	15 701
Meetings		2 679	2 266
Training		1 390	1 500
Other expenses	3.3	6 368	1 622
TOTAL EXPENSES		303 266	313 901
SURPLUS/(DEFICIT) FOR THE YEAR		(5 960)	7 592

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT III

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Canadian dollars)

	Notes	Accumulated Deficit	Reserves	Net Assets (Net Accumulated Deficit)
Balance at 31 December 2018		(53 911)	(3 866)	(57 777)
Movements in fund balances and reserves in 2019				
Variation to carry forward balance	2.12	1 206	(1 206)	
Variation of actuarial gain/(loss)	2.10		(3 611)	(3 611)
Utilization of Incentive Scheme's reserve	2.12	334	(334)	
Transfer ARGF surplus to operational reserve	2.12	(339)	339	
Transfer to ARGF restricted surplus	2.12	(12 142)	12 142	
Other reclassifications and transfers	2.12	(968)		(968)
Variation of exchange difference	2.12	240	(240)	
Variation of translation adjustment	2.12		(117)	(117)
Surplus/(Deficit) of the year		(5 960)		(5 960)
Total movements during the year		(17 629)	6 973	(10 656)
Balance at 31 December 2019		(71 540)	3 107	(68 433)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT IV
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Canadian dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus/(Deficit) for the year		(5 960)	7 592
(Increase) decrease in contributions receivable	2.2	(13 752)	10 426
(Increase) decrease in receivables and advances	2.3	4 882	12 166
(Increase) decrease in inventories	2.4	(146)	(169)
(Increase) decrease in other assets	2.3	503	(469)
(Increase) decrease in non-current contributions receivable (net of discount)	2.2	1 641	(770)
(Increase) decrease in non-current receivables and advances	2.3	61	12
Increase (decrease) in advanced receipts	2.8	(62 519)	(67 062)
Increase (decrease) in accounts payable and accrued liabilities	2.9	14 113	785
Increase (decrease) in short-term employee benefits	2.10	(296)	302
Increase (decrease) in credits to contracting/servicing governments	2.11	73	173
Increase (decrease) in long-term employee benefits	2.10	13 328	4 307
Actuarial gain (loss) reflected in reserves	2.10	(3 611)	2 433
Interest income	3.2	(7 775)	(8 002)
Depreciation and amortization	2.5 & 2.6	1 137	795
(Gain)/Loss on disposal of property, plant and equipment		(18)	
Foreign currency translation adjustment and rounding	2.12	(117)	41
NET CASH FLOWS FROM OPERATING ACTIVITIES		(58 456)	(37 440)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment and Intangibles	2.5 & 2.6	(4 419)	(2 446)
Proceeds from disposal of property, plant and equipment		19	
Interest income	3.2	7 775	8 002
NET CASH FLOWS FROM INVESTING ACTIVITIES		3 375	5 556
CASH FLOWS FROM FINANCING ACTIVITIES:			
Transfers from net assets to liabilities and other transfers	2.12	(968)	(2 192)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(968)	(2 192)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(56 049)	(34 076)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		402 414	436 490
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2.1	346 365	402 414

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
REGULAR PROGRAMME GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Canadian Dollars)

Strategic Objective / Supporting Implementation Strategy	Appropriations								Expenditures			Balance
	Original A39-37	2018 Outstanding Commitments ^a	Carry-over from Prior Year ^b	2019 Appropriations Before Transfers	2019 Outstanding Commitments ^a	Transfers among SO/SIS ^c	Carry-over to Following Year ^b	2019 Appropriations Revised	Total ¹	Budget Exchange Difference ²	Calculated at Budget Rate of Exchange	
Safety	24 008	3 148	2 430	29 586	(2 766)	(350)	(2 955)	23 515	27 069	(3 554)	23 515	
Air Navigation Capacity and Efficiency	15 320	1 742	1 834	18 896	(1 502)	(1 289)	(1 114)	14 991	17 547	(2 556)	14 991	
Security and Facilitation	9 173	652	920	10 745	(717)	819	(1 070)	9 777	10 947	(1 170)	9 777	
Economic Development of Air Transport	3 494	239	286	4 020	(278)	(208)	(400)	3 133	3 355	(222)	3 133	
Environmental Protection	3 883	1 197	418	5 497	(910)	(64)	(540)	3 983	4 358	(375)	3 983	
Sub-Total	55 878	6 979	5 887	68 744	(6 173)	(1 094)	(6 079)	55 399	63 276	(7 877)	55 399	
Programme Support	34 076	8 123	73	42 271	(6 199)	100	(1 146)	35 026	35 912	(886)	35 026	
Management & Administration	14 589	3 645	166	18 400	(4 069)	994		15 324	16 028	(705)	15 324	
Sub-Total	48 665	11 768	238	60 671	(10 268)	1 094	(1 146)	50 350	51 940	(1 591)	50 350	
Total	104 543	18 747	6 125	129 415	(16 441)		(7 225)	105 749	115 216	(9 467)	105 749	

^a Approved by the Secretary General, Financial Regulations 5.7.^b Approved by the Secretary General, Financial Regulations 5.6.^c Approved by the Secretary General, Financial Regulation 5.9.¹ Expenditures other than Canadian dollars are reflected at the UN rate of exchange.² Budget exchange difference of CAD 9 467 thousand due to the difference in the rate of exchange used to prepare the budget versus the monthly UN rates of exchange applied to expenditures during the year.*The accompanying notes are an integral part of the financial statements.*

References	2019 Budgets*	Actual	Budget Difference	Actual on Comparable Basis	Difference between Budget and Actual on Comparable Basis	Actual without IPSAS Requirements
	(a)	(b)	(c)	(d) (b) + (c)	(e) (a) - (d)	(f)

ADD:	Notes	
Increase in discounted long-term receivables	2.2	1 241
Variation of inventories capitalized	2.4	146
Capitalization of fixed assets	2.5	2 770
Intangible Assets	2.6	1 508
ASHI - Utilization	2.10	2 094
End of Service - Annual Leave - Utilization	2.10	475
End of Service - Repatriation benefits - Utilization	2.10	1 480
DEDUCT:		
Depreciation	2.5	(792)
Amortization of Intangible Assets	2.6	(205)
ASHI - Expense	2.10	(13 147)
End of Service - Annual Leave - Expense	2.10	(1 896)
End of Service - Repatriation benefits - Expense	2.10	(2 062)
NET IMPACT		(8 388)
SURPLUS FOR THE YEAR		(5 960)

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to Financial Statements
31 December 2019

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

1. The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations created with the signing of the Convention on International Civil Aviation on 7 December 1944. ICAO is the permanent body charged with the administration of the principles laid out in the Convention and it sets the standards for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection, and encourages their implementation. ICAO's headquarters are in Montreal, Canada and it has seven regional offices and one regional sub-office.
2. The financial statements include only the operations of ICAO. ICAO does not have interests in associates or jointly controlled entities.
3. ICAO provides administrative services to the following non-consolidated entities:
 - The European Civil Aviation Conference (ECAC)
 - Medical Benefit Plan (MBP)

These entities are governed by their own constitution and governance structure which are not controlled by ICAO. They prepare their own financial statements and undergo separate certification process. Assets and liabilities are owned by the respective entity; in the event of dissolution, the division of all assets and liabilities amongst members and partner organizations shall be agreed by pre-defined constitution, bylaws and governance structure.

Basis of Preparation

4. The financial statements of ICAO have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS). These standards have been applied since 1 January 2010.
5. Unless otherwise stated in these statements, the measurement basis used in preparing the financial statements is the historical cost.
6. The Cash Flow Statement (Statement IV) is prepared using the indirect method.
7. The reporting currency of ICAO is the Canadian dollar (CAD). The functional currency of ICAO regular activities is the CAD. The functional currency of the Technical Co-operation Projects (TCP) activities is the United States dollar (USD) because these activities are generally carried out in USD. Transactions in currencies other than CAD, and other than the USD for TCP, are translated at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction, which reasonably approximates the spot rate. Monetary assets and liabilities in currencies other than CAD, and other than USD for the TCP, are translated at the prevailing UNORE at year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance except for unrealized differences, including those arising from the translation of TCP activities into CAD for financial statement presentation purposes, which are reflected in Reserves in the Statement of Financial Position.

Cash and Cash Equivalents

8. Cash and cash equivalents comprise cash on hand, cash at banks and short-term deposits.

9. Interest revenue is recognized as it accrues, taking into account the effective yield.

Financial Instruments

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

Inventories

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

Receivables and Revenue

16. Assessed contributions represent a legal obligation of Member States. These contributions are revenue from non-exchange transactions recognized at the beginning of the year for which the assessments are levied. Contributions for TCP activities are revenue from exchange transactions recognized on the basis of signed agreements between ICAO and contributors and are determined by the stage of completion based on the delivery of goods or rendering of services, which ICAO may in some instances consider best estimated by the phased schedule of payments related to applicable contracts for the projects. Other voluntary contributions are generally non-exchange transactions recognized as revenue when confirmed in writing by donors, or otherwise when received.
17. Administrative fees recovered on Technical Co-operation Projects are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects. In accordance with IPSAS, revenue from administrative fees generated by TC projects is recognized based on the stage of completion. The stage of completion is estimated as follows:
 - Ninety per cent of the fee is progressively recognized until and when a purchase order (PO) for equipment is issued and the remaining 10 per cent is recognized upon full payment of all PO invoices; and
 - For services, the administrative fee is recognized on the basis of cost incurred.
18. A new arrangement for sharing of interest income was introduced in 2011 under which ICAO retains generally fifty per cent of interest earned from deposit of project funds with a monthly average balance in excess of USD 100 thousand. This income is presented in Administrative Fee Revenue of the AOSC Fund.

19. Other revenues are exchange transactions and balances receivable are presented in receivables and advances.
20. Contributions receivable are shown net of allowances related to reductions in contribution revenue, doubtful accounts and amortization (discount):
 - Allowance for reductions in voluntary contribution revenue are reductions of contributions receivable and revenue when the funding is no longer needed by the project to which the contributions was directed or is otherwise unavailable;
 - Allowance for doubtful accounts on assessed contributions is based on historical experience and on events that would indicate a Member State is not capable of discharging its obligation; and
 - Discounted long-term contributions receivable represent the outstanding balance of assessed contributions for which States have concluded agreements to liquidate their arrears over a period of years. Discounting is also applied to a number of other long outstanding contributions considering the probability that such agreements will be concluded to liquidate arrears. These receivables are stated at amortized (discounted) cost using the effective interest method and are therefore presented net of the cumulative discount.
21. In-kind contributions are presented at fair value. Donated goods that directly support approved operations and activities and can be reliably measured are recognized in the accounts. Services provided without charges are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. These contributions include use of premises, transport and personnel.

Property, Plant and Equipment

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

<u>Class</u>	<u>Estimated Useful Life (Years)</u>
Buildings	5-50
Information Technology (IT) Equipment	3-10
Furniture, Fixtures and Fittings	5-10
Machinery and Office Equipment	3-10
Motor Vehicles	5-15

23. PP&E are capitalized if their cost is greater or equal to the threshold limit set at CAD 3 thousand and CAD 25 thousand in the case of leasehold improvements. The threshold level is reviewed periodically. Leasehold improvements are valued at cost and depreciated over the lesser of the remaining useful life of the improvements or the lease term.
24. Impairment reviews are undertaken for all PP&E at least annually and any impairment losses are recognized in the Statement of Financial Performance. Impairment indicators include the obsolescence and deterioration of PP&E as well as other events or circumstances where carrying amounts may not be recoverable.

Intangible Assets

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

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

27. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
28. Impairment indicators include the obsolescence and the deterioration of the intangibles as well as other events or circumstances where carrying amounts may not be recoverable.

Advanced Receipts

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

Employee Benefits

32. ICAO recognizes the following categories of employee benefits:
- Short-term employee benefits due to be settled within twelve months after the end of the accounting period in which employees render the related service;
 - Post-employment benefits, such as after-service health insurance benefits (ASHI);
 - Other long-term employee benefits; and
 - Termination benefits.

33. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular remunerations, compensated absences and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the Statement of Financial Position.
34. The following benefits are accounted for as defined-benefit plans: after-service health insurance (post-employment benefits), repatriation benefits (other long-term benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). The short-term portions of these benefits are presented as current liabilities within the Statement of Financial Position. Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. ICAO recognizes actuarial gains and losses related to ASHI in a reserve account in line with the requirements of IPSAS 39. For other separation-related benefits, such as annual leave and repatriation benefits, actuarial gains and losses are recognized immediately and reflected in the Statement of Financial Performance.
35. Termination benefits are recognized as an expense only when ICAO is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is significant.
36. ICAO is a member organization participating in the United Nations Joint Staff Pension Fund (the UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.
37. The Fund exposes organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. ICAO and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify ICAO's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence ICAO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. ICAO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions and Contingent Liabilities

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

Segment Reporting and Fund Accounting

40. A segment is a distinguishable group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. ICAO classifies all projects, operations and fund activities into two segments: i) Regular activities and ii) Technical Co-operation Project activities. ICAO reports on the transactions of each segment during the financial period, and the balances held at the end of the period. Inter-segment charges are based on project agreements.
41. A fund is a self-balancing accounting entity established to account for the transactions relating to a specified purpose or objective. Funds are segregated for the purpose of conducting specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial statements are prepared on a fund accounting basis, showing at the end of the year the consolidated position of all ICAO's funds. Fund balances represent the accumulated residual of revenue and expenditures.
42. The Regular Activities segment includes the General Fund and the Working Capital Fund of the Regular Programme, special accounts and funds administered for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular Programme Budget of the General Fund may be brought forward to the following financial year under certain conditions. Specific funds and special accounts are established by the Assembly or Council under Financial Regulation 7.1 mainly for contributions or resources earmarked for specific activities, the balances of which may be brought forward to the following financial period. The main funding sources of this segment are assessed contributions, revenue producing activities, other voluntary contributions and administrative fees.
43. The Regular Activities segment includes the following Funds or groups of Funds.
 - **The Regular Budget Fund (RB)** comprises the **General Fund** financed by assessed contributions from Member States according to the scale of assessments determined by the Assembly, by miscellaneous income, by the Ancillary Revenue Generation Fund (ARGF) surplus, and by any advances made from the **Working Capital Fund**. The Working Capital Fund was established by the Assembly for the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and to other funds in specific cases. The amounts advanced from the Working Capital Fund are reimbursed as soon as funds are available in the General Fund and other Funds.
 - **Capital Fund** established for the purpose of recording the acquisitions and the depreciation and amortization of property, plant and equipment and intangible assets for the Regular Activities.
 - **Revolving Fund** established for the purpose of recording the transactions relating to post-employment benefits and other long-term employment benefits, such as ASHI, in line with IPSAS 39, thereby presenting these transactions separately within the Regular Activities segment.
 - **Ancillary Revenue Generation Fund (ARGF)** established to hold revenue generating and cost recovery activities in one Fund. Special Accounts and Funds within the ARGF are established by the Secretary General under Financial Regulation 7.2 to record all revenues and expenditures relating to self-financing activities. Any surplus not projected to be committed or expensed may be transferred to the General Fund and the balances may be brought forward to the succeeding financial period. The main funding sources of this segment are the sales of publications, data and services.
 - **Administrative and Operational Services Cost (AOSC)** established under Financial Regulation 9.4 includes also a) the **Special Reserve Fund (SRF)** and b) the **TCB Efficiency and Effectiveness Fund** described below. The AOSC Fund recovers the costs of

administration, operation and support of Technical Co-operation projects. In the event that the AOSC operation in any given year ends in a financial deficit, such deficit is to be met from the accumulated surplus of the AOSC Fund first and, as a last resort, from the Regular Budget. The AOSC Fund is primarily financed from administrative overhead charges to Technical Co-operation Projects.

- a) **Special Reserve Fund (SRF)** established pursuant to Financial Regulation 7.1 to provide a mechanism to compensate for a potential shortfall caused by a decrease in the AOSC Fund income in any given year. Under a mechanism approved by the Council, effective from 2014, the SRF shall be financed from any AOSC Fund reimbursement amounts (calculated using an approved formula) in excess of the approved level of annual transfer to Regular Budget. If, in any year, there is a shortfall in the AOSC Fund reimbursement determined on the basis of the approved formula, the SRF shall be used to complement the approved annual AOSC Fund transfer to the Regular Budget.
 - b) **TCB Efficiency and Effectiveness Fund** was established by the Council to authorize Director of TCB to dispense, in any given year, up to 20 per cent of the AOSC annual surplus achieved in the preceding year for the implementation of measures to improve the efficiency and effectiveness of the Technical Co-operation Bureau in responding to Contracting States' needs.
- **Aviation Security (AVSEC) Activities** which includes earmarked funds as well as Special Accounts/Funds established to reflect the Council's approval of the Aviation Security Plan of Action (ASPA), comprising projects to be financed from funds within the Aviation Security Trust Funds. Activities relating to the ASPA projects are funded from voluntary and in-kind contributions.
 - **The Comprehensive Regional Implementation Plan for Aviation Safety in Africa (AFI Plan)** established to increase ICAO leadership and accountability in programme coordination and management across the AFI Region and to ensure effective implementation to rectify safety and infrastructure deficiencies.
 - **The Joint Finance Funds** comprise Danish and Icelandic Joint Financing Agreements, which reflect the transactions of the Funds established to report on the ICAO supervision of the operation of air navigation services provided by the Government of Iceland, and in Greenland by the Government of Denmark, the costs of which are recovered by the service providers through user charges and assessments on contracting governments. User charges are collected by the United Kingdom and are due and directly remitted to the Governments of Iceland and Denmark. Assessments are levied and collected by ICAO for remittance to the servicing governments, therefore, these transactions are reflected in the accounts as assets and liabilities in the Statement of Financial Position. Also included is the **North Atlantic Height Monitoring System Fund (HMU)** to account for the financial transactions made under the provisions of the Arrangement on the Joint Financing of a North Atlantic Height Monitoring System. The operation and maintenance costs are recovered by the service providers through user charges on civil aircraft making crossings over the North Atlantic. User charges collected by ICAO are directly payable to service providers and are therefore reflected as assets and liabilities in the accounts.
 - **Incentive for the Settlement of Long-Outstanding Arrears Account** established to present in a separate account a portion of a payment of certain assessments in arrears from Contracting States to finance particular activities of the Organization.
 - **The Resource Mobilization Fund (RMF)** was established by Council to support States, through use of voluntary contributions, in strengthening their civil aviation systems. The voluntary funds

will facilitate capacity building around, and implementation of, ICAO SARPs and policies, and supplement ICAO's work programmes not covered or underfunded by the Regular Budget.

- **Public Key Directory Fund (PKD)**, a cost-recovery fund, established by the Council to report on the activities of a project to support interoperability of electronic-enhanced machine readable passports. The operations are financed by voluntary contributions and, in accordance with the agreement, the balance of the Fund is recorded as an amount due to the participating States.
 - **Regional Sub-Office (RSO)** with the objective of strengthening the ICAO's presence in the Asia and Pacific (APAC) Region, a sub-regional office in the APAC region has been created, whose purpose is to improve airspace organization and management to maximize air traffic management (ATM) performance across the region. The Asia and Pacific Region Sub-Office has been established in Beijing, People's Republic of China. Under an Agreement between ICAO and the Civil Aviation Authority of China (CAAC), the CAAC is responsible for all operating expenses of the RSO.
 - **Safety Fund (SAFE)**, established by the Council with the objective of improving the safety of civil aviation through the use of a performance-based approach which will limit administrative costs and will not impose any costs on the Regular Budget of the Organization, while ensuring that voluntary contributions to the fund are used in a responsible, useful and timely manner.
 - **Other Funds** include the Administrative Fee for Joint Financing, the Universal Safety Oversight Audit Programme Fund, the International Registry Fund, the France Co-operation Fund, the Information and Communication Technology Fund, the Temporary Staff Salaries Fund (TSSF), the Human Resources Development Fund (HRDF), the ICAO Programme for Aviation volunteers (IPAV) Fund, and various funds for financing experts and junior professional officers.
 - Under an agreement with the **European Civil Aviation Conference (ECAC)**, composed of a number of ICAO's Member States, ICAO provides certain secretariat services. Disbursements are financed initially from ECAC's revenue and, when necessary from the General Fund of the Regular Budget funds, which are then reimbursed to ICAO. The net amount receivable or payable for all transactions effected on ECAC's behalf is included in the receivable or payable accounts.
 - ICAO's health insurance scheme, **Medical Benefit Plan (MBP)**, with Cigna as the plan administrator, has its own governance structure and provides for the reimbursement of a major portion of expenses for medically recognized health care incurred by ICAO and other participating organizations' staff members, retired staff members, delegates, and their eligible family members. MBP is financed by the contributions made by the participants and the Organizations and from investment income. The net amount for all transactions effected on MBP's behalf is reflected as assets and liabilities in the accounts.
44. The Technical Co-operation Project Activities segment comprises Technical Co-operation (TC) project funds established by the Secretary General under Financial Regulation 9.1 to administer programmes of Technical Co-operation. The main funding sources of the segment are voluntary contributions for project agreements.
45. The TC projects include UNDP arrangements and projects managed under Trust Funds agreements, Management Service Agreements (MSA) and Civil Aviation Purchasing Services Agreements (CAPS). Trust Funds and MSAs are designed to cover a broad range of Technical Co-operation services and the CAPS agreements are designed to provide procurement services. ICAO also enters into Technical Co-operation agreements referred to as Lump Sum Contracts with Member States. These contracts differ from MSA and Trust Fund agreements in that they are for a short duration and with a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund.

NOTE 2: ASSETS AND LIABILITIES**Note 2.1: Cash and Cash Equivalents**

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

	2019	2018
	<i>In thousands of CAD</i>	
Cash in banks	37 922	52 671
Term deposits	308 443	349 743
Total Cash and Cash Equivalents	346 365	402 414

47. As at 31 December 2019, cash in banks had an average interest rate of 1.891 per cent (1.857 per cent on 31 December 2018). The term deposits had an average interest rate of 2.417 per cent (1.997 per cent on 31 December 2018) and an average term maturity of 103 days (155 days in 2018). Term deposit amounts include USD 145 million held in investment savings accounts (USD 105 million on 31 December 2018) with an average interest rate of 2.397 per cent (1.992 per cent on 31 December 2018). Cash in banks at year end includes an equivalent amount of CAD 9 920 thousand held on behalf of ECAC. Term deposits at year end include CAD 7 135 thousand held on behalf of MBP.

Note 2.2: Assessed Contributions Receivable from Member States

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

	2019	2018
	<i>In thousands of CAD</i>	
Current	16 599	2 847
Discounted non-current	4 322	5 963
Total Net Contributions Receivable	20 921	8 810

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

	2019	2018
	<i>In thousands of CAD</i>	
Assessed contributions –Regular Programme	28 466	17 624
Less:		
Allowance for doubtful accounts	(669)	(697)
Cumulative discount on long-term receivables	(6 876)	(8 117)
Total Net Assessed Contributions Receivable	20 921	8 810

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

Year of Assessment	2019		2018	
	<i>In thousands</i>	%	<i>In thousands</i>	%
	<i>of CAD</i>		<i>of CAD</i>	
2019	17 643	62.0	4 174	23.7
2018	1 501	5.3	2 124	12.1
2017	1 296	4.5	1 683	9.5
2016	1 139	4.0	1 395	7.9
2015 and earlier	6 887	24.2	8 248	46.8
Total	28 466	100.0	17 624	100.0

51. There were no additions to the allowance for doubtful accounts on assessments during 2019.

	2018		Increase/ (Decrease)	2019
	Utilization			
	<i>In thousands of CAD</i>			
Total allowance for doubtful accounts	697	-	(28)	669

The amount of CAD 669 thousand represents the original amount of USD 511 thousand (equivalent of CAD 501 thousand set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by an exchange difference of CAD 28 thousand in 2019, the resolution of which remains under active discussions at the United Nations General Assembly where it is an expectation that successor States will cover the debt.

52. There were no write-offs of contributions receivable during 2019. An increase or decrease in the allowance for doubtful accounts is reflected as an expense for the period and is reported in the Statement of Financial Performance.
53. There was no balance in the allowance for reductions in contribution revenue during 2019.
54. The movements of the discounted long-term contributions receivable during 2019 are follows:

	2018		Increase/ (Decrease)	2019
	Utilization			
	<i>In thousands of CAD</i>			
Discounted long-term contributions receivable	5 963	(2 882)	1 241	4 322

55. The discounted long-term contributions relate to assessments receivable from States in Group A that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest and States in Group B without agreements with outstanding assessments exceeding three years. Following the ICAO Assembly in October 2013, the fair market value of assessments receivable balance was reassessed. It was estimated that although all those receivables remained valid and properly recognized as such in the accounts, the fair market value of the receivable balance of those States which have lost their voting rights over two consecutive Assembly sessions needed to be further reduced. Consequently, such receivables are fully discounted by an amount of CAD 6 053 thousand in 2019. Utilization of CAD 2 882 thousand is the reclassification of amounts in arrears as long-term less payments received during the course of the year. The increase of CAD 1 241 thousand in the discounted

long-term accounts receivable balance represents a decrease in the cumulative discount, which is reflected in revenue.

56. The discount on long-term contributions receivable represents the amount which is required to adjust the receivable balance to fair value upon initial recognition. Since the non-current portions are not expected to be collected within one year, they are discounted using the original effective interest rate approximated to long-term Canadian government bond rate. This amount is reflected as a reduction of the long-term receivable balance. This difference is then gradually recognized as revenue over the life of the receivable. The discount is computed by applying the rates of 1.85 to 2.40 per cent to the scheduled future instalment payments.

Note 2.3: Receivables, Advances and Other Assets

57. Receivables and advances are comprised of:

	2019	2018
	<i>In thousands of CAD</i>	
Advances to employees	1 505	1 403
Receivables from United Nations Agencies	663	589
Advances to suppliers for TC projects	4 811	9 797
Others	5 605	5 677
Total	12 584	17 466

58. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.
59. Receivables from UN Agencies are related to other international organizations, mainly United Nations organizations.
60. Other receivables include amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.
61. Other current assets are comprised of:

	2019	2018
	<i>In thousands of CAD</i>	
Recoverable provincial sales tax	511	639
Recoverable federal sales tax	275	367
Prepaid expenses	774	935
Recoverable United States income tax	31	111
Recoverable regional offices sales tax	83	125
Total	1 674	2 177

62. The non-current portion of receivables is composed of an amount due from the African Civil Aviation Commission (AFCAC), a regional body. This amount results from negotiations and discussions between ICAO and AFCAC for the settlement of amounts owed by AFCAC to the Organization. Effective 1 January 2007, AFCAC assumed full responsibility for financial transactions and operations previously performed by ICAO on its behalf. The undiscounted receivable amounts to CAD 361 thousand at 31 December 2019 (CAD 439 thousand as at 31 December 2018). The discounted amount due from AFCAC reflected in the accounts totals CAD 312 thousand, which represents the non-current portion of the receivable (CAD 373 thousand as at 31 December 2018).

Note 2.4: Inventories

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

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

	2019	2018
	<i>In thousands of CAD</i>	
Publications on hand-finished goods	208	268
Raw material and work in progress	77	104
Total Publications	285	372
Total Commissariat Items	411	178
Total Inventories	696	550

65. Further details are shown below on the reconciliation of publication and Commissariat inventories to reflect the opening balances and the additions during the period reduced by the value of inventories sold and impairment allowance made during the year.

	2019	2018
	<i>In thousands of CAD</i>	
Publications Reconciliation:		
Opening Balance	372	296
Direct material	355	368
Direct labour	1 086	1 120
Indirect costs	446	485
Total inventory purchased and produced	2 259	2 269
Less: Cost of publications sold	(1 898)	(1 859)
Less: Impairments	(76)	(38)
Closing Balance	285	372

	2019	2018
	<i>In thousands of CAD</i>	
Commissariat Items Reconciliation:		
Opening Balance	178	85
Inventory purchased	558	479
Total inventory purchased	736	564
Less: Cost of items sold	(325)	(386)
Closing Balance	411	178

66. Publications and Commissariat items and quantities derived from ICAO's inventory tracking systems are validated by physical stock count.

67. Inventories are valued net of any identified impairments. During 2019, impaired publication inventory including disposal of overstock publications valued at CAD 76 thousand was identified and removed from the inventory records. This adjustment represents an expense for the period and is included in the "general operating expenses" line in the Statement of Financial Performance.

Note 2.5: Property, Plant & Equipment (PP&E)

68. The cost of PP&E includes items held at ICAO Headquarters (HQ) in Montreal as well as those held at the seven Regional Offices. These items provide benefits or service potential to the Organization which exercises full control over their acquisition, physical location, use and disposal.
69. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

	Furniture & Fixtures	IT Equipment	Motor Vehicles	Machinery & Equipment	Leasehold Improvements	Leasehold Improvements in Progress	Total
<i>In thousands of CAD</i>							
Cost as at 1 Jan 2019	159	3 936	554	1 769	3 553	1 034	11 005
Additions	21	1 406	141	131	2 209	36	3 944
Disposals		(79)	(62)				(141)
Transfers						(1 034)	(1 034)
Cost as at 31 Dec 2019	180	5 263	633	1 900	5 762	36	13 774
Accumulated depreciation as at 1 Jan 2019	(118)	(3 191)	(350)	(1 070)	(1 884)		(6 613)
Depreciation	(14)	(268)	(74)	(179)	(397)		(932)
Disposals		79	61				140
Accumulated depreciation as at 31 Dec 2019	(132)	(3 380)	(363)	(1 249)	(2 281)		(7 405)
Net carrying amount							
1 January 2019	40	745	204	698	1 670	1 034	4 391
31 December 2019	48	1 883	270	651	3 481	36	6 369

70. No impairment of PP&E was identified in 2019.
71. Commitments related to leases are presented in Note 6.
72. The HQ property – Maison de l'OACI, was constructed in 1995 and purchased by the Government of Canada in 2016. The entire building is provided to ICAO rent-free for 20 years commencing on 1 December 2016 until 30 November 2036.
73. ICAO owns 46 per cent of the property of the EURNAT Regional Office in Paris at an original cost of CAD 1 145 thousand and the remaining 54 per cent of the property is under a nominal finance lease, which represents contributions for services in kind as shown in Note 3.1. Other buildings occupied by ICAO are under operating leases or nominal leases also shown in Note 3.1 and Note 6.
74. ICAO owns assets items which are categorized as heritage assets because of their cultural, educational, or historical significance. Heritage assets items have been acquired by ICAO through donations from Member States, organizations and companies over the years and are not held to generate any future economic benefits or service potential; accordingly, ICAO has elected not to recognize them in the Statement of Financial Position. Significant heritage assets owned by ICAO comprise aircraft models and prototypes, works of art, furniture and fixtures, books, maps, photographs, records and documents of historical value, etc.

Note 2.6: Intangible Assets

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

	Software Acquired	Licenses & rights	Software Developed Internally	Other Intangible Assets	Software under Development	Total
<i>In thousands of CAD</i>						
Cost as at 1 Jan 2019	1 124	585	536	281		2 526
Additions	319	6			1 183	1 508
Disposals						
Cost as at 31 Dec 2019	1 443	591	536	281	1 183	4 034
Accumulated depreciation as at 1 Jan 2019	(1 113)	(277)	(155)	(281)		(1 826)
Depreciation	(40)	(76)	(89)			(205)
Disposals						
Accumulated depreciation as at 31 Dec 2019	(1 153)	(353)	(244)	(281)		(2 031)
Net carrying amount						
1 January 2019	12	307	381			700
31 December 2019	290	238	292		1 183	2 003

76. No impairment of intangible assets was identified in 2019.

Note 2.7: Financial Instruments**2.7.1 Financial Assets and Liabilities**

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

	2019	2018
<i>In thousands of CAD</i>		
Assessed contributions receivable (current)	16 599	2 847
Assessed contributions receivable (non-current)	4 322	5 963
Receivables and advances (current)	12 584	17 466
Receivables and advances (non-current)	312	373
Other assets	900	1 242
Grand Total	34 717	27 891

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

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

2.7.2 Credit Risk

79. ICAO's credit risk is spread widely and ICAO's risk management policies limit the amount of credit exposure to any one counter party and include minimum credit quality guidelines.

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

2.7.3 Interest Rate Risk

82. ICAO is exposed to interest rate risk through term deposits. In 2019, the average interest rate and term maturity are provided in Note 2.1. Interest rates were increased in 2019.

2.7.4 Foreign Currency Risk

83. At 31 December 2019, cash, cash equivalent and investments are denominated in CAD (15 per cent) and in USD (78 per cent) which are the base currencies used by the Organization (14 per cent in the CAD and 79 per cent in USD base currencies at 31 December 2018). Non-CAD or USD holdings have the primary objective of supporting operating activities in other currencies than CAD. In addition, 49 per cent of contributions receivable are denominated in CAD and 51 per cent in USD base currencies (43 per cent in CAD and 57 per cent in USD base currencies at 31 December 2018).
84. Starting in 2010, in order to minimize the exposure of the USD fluctuation, the Organization moved to a split assessment system under which Member States are assessed partly in USD and partly in CAD based on foreseen needs of both currencies. With the adoption of the split assessment system, management believes that there is no need to enter into forward exchange contracts for the purchase of USD for Regular Budget.
85. Purchase Orders pertaining to Technical Co-operation projects are sometimes denominated in currencies other than the CAD or USD. In order to limit exposure to currency fluctuations, a policy on hedging has been adopted, whereby funds are purchased in the currency of the commitment at the time the Purchase Order is issued, in cases where currency fluctuation could have a material impact on the financial position of the project. An exchange gain or loss is recognized equivalent to the difference between the UNORE and the spot rate in effect on the date that the funds are purchased.

2.7.5 Liquidity Risk

86. The Working Capital Fund at amount of USD 8.0 million serves the purpose of making advances as necessary to the General Fund to finance budgetary appropriations pending receipt of contributions from Member States and to other Funds in specific cases. Funds are deposited in banks on a pooled investment basis and funds not needed for immediate requirements are invested in term deposits.

Note 2.8: Advanced Receipts

87. Advanced receipts comprise:

	2019	2018
	<i>In thousands of CAD</i>	
Voluntary contributions for TC Projects	216 472	274 604
Assessed contributions received in advance	6 861	8 527
Other advances	19 092	21 813
Grand Total	242 425	304 944

88. Advanced receipts of voluntary contributions for TC Projects represent receipts of contributions less related expenses at year-end (refer to Table D and E). Other advances include advance payments of CAD 14 052 thousand for voluntary contributions and grants from Member States and private companies, CAD 1 276 thousand from publication sales, CAD 2 424 thousand from Member States for PKD activities, deferred revenue and other advances.

Note 2.9: Accounts Payables and Accrued Liabilities

89. Accounts payables and accrued liabilities are composed of the following:

	2019	2018
	<i>In thousands of CAD</i>	
Accrued liabilities	14 076	7 110
Payables to employees	1 495	1 898
Trade payables	10 694	10 014
Due to MBP	7 135	710
Due to ECAC	9 920	9 475
Grand Total	43 320	29 207

90. Accounts payable to suppliers relate to amounts due for goods and services for which invoices have been received. Accruals are liabilities for goods and services that have been received or provided to ICAO during the period and which have not been invoiced. Amounts due to MBP and ECAC are cash balances held by ICAO on their behalf (refer to Note 2.1).

Note 2.10: Employee Benefits

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

	2019	2018
	<i>In thousands of CAD</i>	
Composition:		
Current	7 648	7 944
Non-current	164 329	151 001
Grand Total	171 977	158 945

2.10.1 Valuation of Employee Benefit Liabilities

92. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent consulting actuaries. These employee benefits are

established for staff members in Headquarters and Regional Offices who are covered by ICAO Staff Rules.

93. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits comprise estimated repatriations benefits and annual leave due to Technical Co-operation project staff on separation. Such project staff benefits are not covered by the ICAO Staff Regulations and Rules, but by specific conditions under Technical Co-operation projects.
94. The movement of employee benefits liabilities during 2019 is as follows:

	Opening Balance 1 Jan 2019	Utilization	Increase/ (Decrease)	Actuarial Loss/(Gain)	Ending Balance 31 Dec 2019
<i>In thousands of CAD</i>					
Post-retirement plan (ASHI)	133 568	(2 094)	9 536	3 611	144 621
End of service – annual leave	8 990	(475)	904	992	10 411
End of service – repatriation benefits	14 223	(1 480)	1 165	897	14 805
Other employee benefits for international experts	2 164	(15)	(9)	-	2 140
Grand Total	158 945	(4 064)	11 596	5 500	171 977

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

	Current Service Costs	Interest Cost	Total 2019	Total 2018
<i>In thousands of CAD</i>				
Post-retirement plan (ASHI)	6 412	3 124	9 536	8 807
End of service – annual leave	695	209	904	783
End of service – repatriation benefits	856	309	1 165	1 122
Other employee benefits	(9)	-	(9)	347
Grand Total	7 954	3 642	11 596	11 059

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

	2019	2018
<i>In thousands of CAD</i>		
Post-retirement plan (ASHI)	3 611	(2 433)
End of service – annual leave	992	286
End of service – repatriation benefits	897	64
Grand Total	5 500	(2 083)

96. Actuarial gains/losses for Annual Leave and Repatriation Benefits, plus current service costs and interest cost, including those for ASHI, total CAD 13 494 in 2019 (CAD 11 062 in 2018) and are included in the expense of the Revolving Fund.

2.10.2 Employee Benefits Liability – Sensitivity Analysis

97. Sensitivity analysis for the discount rate for the employee benefits liabilities is presented in the following table:

	Increase of 1% in Discount rate	Decrease of 1% in Discount rate
	<i>In thousands of CAD</i>	
Current service cost + interest cost	(1 044)	1 335
Accrued benefit obligation	(28 180)	37 434

98. Sensitivity analysis for the Medical and Dental Trend Rates, as described in Note 2.10.4, for the post-retirement plan (ASHI) is presented in the following table:

	Increase of 1% in Discount rate	Decrease of 1% in Discount rate
	<i>In thousands of CAD</i>	
Current service cost + interest cost	2 985	(2 044)
Accrued benefit obligation	32 816	(25 236)

99. Sensitivity analysis for the Mortality Table assumptions, as described in Note 2.10.4, for the post-retirement plan (ASHI) is presented in the following table:

	1 Year Further Mortality Table	1 Year Closer Mortality Table
	<i>In thousands of CAD</i>	
Current service cost + interest cost	469	(459)
Accrued benefit obligation	7 620	(7 444)

2.10.3 Expected Cost During 2020

100. The expected contribution of ICAO in 2020 to the defined benefits plan is CAD 5 508 thousand, which is determined based on expected benefit payments for 2020.

	Post- retirement plan (ASHI)	End of service – annual leave	End of service - repatriation benefits	Total
	<i>In thousands of CAD</i>			
Expected contributions during 2020	2 379	977	2 152	5 508

2.10.4 Actuarial Assumptions and Methods

101. Each year, ICAO reviews and selects assumptions and methods that will be used by the actuaries in the year-end valuation to determine the expense and contribution requirements for ICAO's after-service benefit plans (post-employment benefits and other separation-related benefits). Actuarial assumptions are required to be disclosed in the financial statements in accordance with IPSAS 39. In addition, each actuarial assumption is required to be disclosed in absolute terms. The following key assumptions and methods have been used to determine the value of post-employment and other separation-related employee liabilities for ICAO as at 31 December 2019.

Assumptions Used for ASHI Plan:

Actuarial Method	ASHI: The projected unit credit cost method, prorated on years of service, up to the age the employee is fully eligible for retirements benefits.
Discount Rate	1.85 per cent for accounting and funding (2.25 per cent in 31 December 2018 valuation).
Medical and Dental Trend Rates	Drugs and other health care from 8 per cent to 4 per cent over a period of 20 years, dental 4 per cent for 20 years.
Expected Return on Assets	Not applicable as plans are treated as unfunded.
Exchange Rate Used	USD 1.00 for CAD 1.309 (CAD 1.365 in prior valuation).
Medical and Dental Claims Cost	Average annual costs per person at age 60 are CAD 2.4 thousand for drug costs, from CAD 0.4 thousand to CAD 1.6 thousand for dental costs and from CAD 0.6 thousand to 7.2 thousand for other health care costs.
Age Variation of Medical and Dental Costs	For drugs in Canada from 5.8 per cent at age 40 to 59 down to 0 per cent at age 85 and up. For health care in Canada, from 2.0 per cent up to age 59 down to 0.75 per cent at age 85 and up. Health care outside Canada from 2.7 per cent at age 40 down to 0 per cent at age 90 and up. Dental care minus 0.5 per cent per year. Reduction of drug cost at age 65 for those covered by a public drug plan in Canada, 65 per cent (65 per cent in 2018).
Annual Administrative Costs	USD 31.60 per Certificate Per Month. Inflation at 2.5 per cent per year, (3.25 per cent in 2018).
Mortality Table	CMM 2014 with Projection Scale MI 2017.
Withdrawal Rates	2019 UNJSPF assumptions vary by General Service vs Professional, starting in 2019
Retirement Age	2019 UNJSPF assumptions vary by General Service vs Professional, starting in 2019
Coverage of Dependents at Retirement	60 per cent (60 per cent in 2018). Wives are assumed to be five years younger than their male spouses. No children per family at retirement age.

Assumptions Used for Annual Leave and Repatriation Benefits:

Actuarial Method	Annual leave and repatriation grant: actuarial present value of future benefits with salary projections.
Discount Rate	1.85 per cent per year (2.25 per cent in 2018).
Salary Increase	2.50 per cent per year.
Net Accrual in Annual Leave Balance	From 8 days during the first year to none for 35 years of service and more, up to a maximum of 60 days.
Withdrawals Due to Voluntary Leave	10 per cent (10 per cent in 2018).
Removal of Effects on Repatriation	USD 18.5 thousand per employee with eligible family members, USD 13.0 thousand per employee without eligible family members. Annual increases of 2.50 per cent per year thereafter.
Travel Costs	CAD 5.9 thousand per employee with annual increase at 2.50 per cent per year.

102. ICAO is using the Canadian government bonds rate to discount the liability related to staff benefits. In some jurisdictions, there is no deep market for government bonds or government bonds are more risky than high quality corporate bonds. In such cases the use of the corporate bond rate would be more appropriate, being closer to a risk free rate. This matter was considered by ICAO's actuaries and it was determined that, in the case of ICAO, the use of the Canadian bond rate is more appropriate than the corporate bond rate for the reasons provided under paragraph 88 of IPSAS 39 and because of the existence of a deep market for government bonds in Canada. Therefore, ICAO has continued to use the government bond rate to discount the liability.
103. The assumed increases in medical costs (trend rates) are selected with reference to the latest Global Medical Trend Rates survey of ICAO's actuary, UN Economic Assumptions for Retiree Medical Plans and the increases that are expected to be sustainable over the long run. For the After-Service Health Insurance plan (ASHI), the trend rates are unchanged for the December 31, 2019 valuation.
104. Medical costs are a key valuation assumption for ASHI valuation. These assumptions are selected with reference to ICAO's recent experience adjusted for historical medical trend rates, and anticipated utilization adjustments due to aging. For the ASHI valuation, the medical costs changed and are detailed in the assumptions table above. ICAO's expected ASHI claims are based on an average of three years' claims, trended forward to the year after the valuation date and adjusted to a spot USD/CAD exchange rate at the valuation date.

2.10.5 United Nations Joint Staff Pension Fund (UNJSPF)

105. The UNJSPF's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

106. ICAO's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.
107. The latest actuarial valuation for the Fund was completed as of 31 December 2017, and the valuation as of 31 December 2019 is currently being performed. A roll forward of the participation data as of 31 December 2017 to 31 December 2018 was used by the Fund for its 2018 financial statements.
108. The actuarial valuations as of 31 December 2017 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 139.2 per cent. The funded ratio was 102.7 per cent when the current system of pension adjustments was taken into account.
109. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2017, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.
110. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2016, 2017 and 2018) amounted to USD 7 131.56 million, of which 0.78 per cent was contributed by ICAO.
111. During 2019, ICAO's contributions paid to UNJSPF amounted to USD 20.3 million equivalent to CAD 26.9 million (USD 19.4 million equivalent to CAD 25.1 million in 2018). Contributions due in 2020 are expected to be at the same level.
112. Membership of the Fund may be determined by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.
113. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

2.10.6 Social Security Arrangements for Employees Under Service Contracts

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

Note 2.11: Credits to Contracting/Servicing Governments

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

Note 2.12: Net Assets (Net Accumulated Deficit)

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

117. Reserves are composed of:

	2019	2018
	<i>In thousands of CAD</i>	
Regular Activities		
Carry forward of Appropriations (Statement V)	23 666	24 872
Reserved deficit for unrealized differences	(4 428)	(4 188)
Accumulated actuarial gain/(loss) on ASHI (Note 2.10.1)	(34 746)	(31 135)
Operational reserve for ARGF	6 229	5 890
Restricted surplus for ARGF	12 142	
Amounts reserved in the Incentive Fund	237	571
	3 100	(3 990)
Technical Co-operation Project Activities	7	124
Total	3 107	(3 866)

118. Reserved deficit for unrealized differences represents unrealized gains and losses on assets and on exchange differences set aside until the corresponding assets are realized.
119. An amount of CAD 6 229 thousand is included in the Operational Reserve of ARGF in accordance with Financial Regulations 7.3 and the Council Decision C-DEC 190/5.
120. Restricted surplus for ARGF includes an amount of CAD 5 700 thousand set aside to finance the Regular Programme budget for the triennium 2020-2022 with reference to Assembly Resolution A40-34; and an amount of CAD 6 442 thousand earmarked for ongoing projects.

121. Included in the Technical Co-operation Project Activities Reserves is the translation adjustment from USD to CAD to reflect the Technical Co-operation Project Activities in the reporting currency (CAD).
122. Other reclassifications and transfers relate to unused voluntary contributions transferred to advanced receipts.

NOTE 3: REVENUES AND EXPENSES

Note 3.1: Contributions – Services in Kind

123. 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. Contributions in kind are not recorded in the accounts but presented for information purposes in notes below.
124. The estimated fair value of the contributions in kind provided to regular activities based on the lease contracts or on the estimated market value when there is no lease is as follows:

	2019	2018
	<i>In thousands of CAD</i>	
Canada	25 179	23 848
Egypt	115	97
France	747	751
Peru	825	811
Senegal	270	242
Thailand	2 489	2 258
Total	29 625	28 007

125. The Government of Canada provides the HQ building to ICAO rent free and assumes 80 per cent of the operation and maintenance costs as well as 100 per cent of the property taxes. Included also in the above contribution in kind from Canada, is an amount equivalent to CAD 1 899 thousand (CAD 1 861 thousand in 2018) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montreal provided for the Technical Co-operation Bureau.
126. Also, the Government of Mexico provides a contribution in cash towards the rental of the Regional Office in Mexico City. The contribution in 2019 amounted to CAD 429 thousand (CAD 374 thousand in 2018) and is included in revenue in the Statement of Financial Performance.
127. Staff services and travel are also provided free of charge by States for regular activities. These contributions are estimated at CAD 8 110 thousand in 2019 (CAD 10 983 thousand in 2018).

Note 3.2: Revenue

128. The main source of revenue recognized during the year comprises contributions for Technical Co-operation projects that were implemented during the year (refer to Note 5.3 and Table C) and assessed contributions. Assessed contributions are levied partially in Canadian dollars and in United States dollars to finance a major part of appropriations. Revenue recognized during the year is comprised as follows:

	2019	2018
	<i>In thousands of CAD</i>	
Assessments on States as resolved by the Assembly	96 181	91 540
Assessments on new States	115	71
Exchange Differences*	12 287	8 330
Decrease/(increase) on cumulative discount on long-term receivables	1 241	(1 541)
Total	109 824	98 400

*Exchange differences represent calculated positive (negative) differences between assessments budgeted at budget rate and at the UN operational rate of exchange when assessments are levied.

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

	2019	2018
	<i>In thousands of CAD</i>	
Training/assessments, courses & membership fees	6 029	5 546
Publication sales and printing services	5 160	5 779
Events and symposia	3 115	3 484
Dangerous goods licensing fee	3 003	2 468
Delegation services	2 685	2 642
Publication royalties	1 474	1 433
User charge/Subscription fee	870	1 104
Periodicals	746	256
Licensing	620	593
Commissariat sales	409	479
Websites	408	463
Others	876	1 302
Total	25 395	25 549

130. Other Revenue comprises the following:

	2019	2018
	<i>In thousands of CAD</i>	
Interest income*	2 267	1 844
Service fee	700	461
Professional liability insurance fee	123	161
Travel agent fee	101	102
Exchange gains**	62	6 160
Others	506	1 124
Total	3 760	9 852

*The interest income excludes an amount of CAD 5 508 thousand related to non-proprietary funds (mainly TC Projects) since they are presented as advanced receipts and as administrative overhead fee revenue in the AOSC.

**Exchange gains relate mainly to positive differences from the revaluation of assets and liabilities into CAD initially recognized in other currencies.

Note 3.3: Expenses

3.3.1 Staff Salaries and Employee Benefits

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

3.3.2 Subcontracts, Supplies, and Consumables

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

3.3.3 General Operating Expenses

133. General Operating Expenses mainly comprise rental, maintenance and operation of premises, information technology and printing expenses. Also included is depreciation on PP&E amounting to CAD 932 thousand and to CAD 205 thousand for the amortization of intangible assets (CAD 583 thousand and CAD 212 thousand respectively in 2018).

3.3.4 Travel

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

3.3.5 Other Expenses

135. Other expenses comprise the following:

	2019	2018
	<i>In thousands of CAD</i>	
Exchange losses*	5 103	548
ARGF services for conferences and seminars	551	420
Bank charges	477	560
Special Implementation Projects costs	148	-
Others	89	94
Total	6 368	1 528

**Exchange losses relate to negative differences from the revaluation of assets and liabilities into CAD initially recognized in other currencies.

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

136. The Organization's Assembly authorizes, separately for each year of a triennium, the expenditure in Canadian dollars for the Regular Programme and approves the total indicative budget estimates of the AOSC Fund of the Technical Cooperation Programme. These two budgets are publicly available and may be subsequently amended by the Council or through the exercise of delegated authority.
137. Statement V presents the variation of approved Regular Programme budgets between original and final, and a comparison between final budgets and expenses on a budgeted basis classified by Strategic Objective and Supporting Implementation Strategy, as required by Financial Regulation 12.1. Statement V-A provides a comparison between approved publicly available budgets and actual amounts on a comparable basis, and reconciles revenue and expenses with actual amounts for all Funds of the Organization presented in the Statement of Financial Performance (Statement II).
138. In Statement V-A, the difference between budgeted and actual revenue for the Regular Programme (CAD 12 395 thousand) is mainly attributable to the Organization's practice of assessing contributions in Canadian dollars (CAD) and in US dollars (USD). The exchange rate established to prepare the budget and the exchange rate used to recognize revenue when assessments are levied in compliance with IPSAS differ (CAD 12 287 thousand). Consequently this exchange difference is excluded from actual amounts for comparison purposes. Another budget difference is the assessment on two new Member State (CAD 108 thousand) as this was not budgeted for. Other differences, for actual revenue to be on a comparable basis, also not budgeted for, are composed of discounted receivables (difference of CAD 1 241 thousand) and additional other revenue (CAD 865 thousand).
139. Statements V and V-A compare approved appropriations for the Regular Programme (CAD 129 415 thousand) at budget rate and the corresponding expenses for the General Fund of the Regular Programme at the UNORE (CAD 115 216 thousand). In order to compare approved Regular Programme budget with actual expenses, the following factors are taken into consideration: i) exchange difference (CAD 9 467 thousand) from the utilization of the budget rate of exchange and the UN rates of exchange applied during the year to expenses in compliance with IPSAS, bringing the actual amount of expenses at budget rate (CAD 105 749 thousand); and ii) the recognition of outstanding commitments, for budget purposes, foreseen to be incurred only

in the following year (CAD 16 441 thousand). These factors have the effect of bringing expenses on a comparable basis (CAD 124 800 thousand) for the Regular Programme. The net impact resulted in a carry-over of unutilized appropriations (CAD 7 225 thousand).

140. Budget estimates (final revised) are also compared to actual amounts in Statement V-A with regard to the AOSC Fund. The Presentation of the Secretary General on the financial statements included in this document provides further explanations of material differences between Regular Programme and AOSC budgets and the actual amounts.
141. A reconciliation between the actual amounts on a comparable basis in the Statement of Comparison of Budget and Actual Amounts (Statement V-A) and the actual amounts in the Statement of Cash Flow (Statement IV) for the year ended 31 December 2019 is presented below:

	Operating	Investing	Financing	Total
	In thousands of CAD			
Actual on a Comparable Basis (Statement V-A, column (d):				
Revenue Regular Programme	106 648			106 648
Revenue AOSC	11 825			11 825
Expenses Regular Programme	(124 800)			(124 800)
Expenses AOSC	(10 390)			(10 390)
Budget Differences (Statement V-A, column (c)):				
i) Net exchange differences on budgeted assessments and expenses and assessment on new Member State (par. 138 and 139 above)	2 928			2 928
ii) Outstanding commitments not requiring an outlay of funds (par. 139 above)	16 441			16 441
Entity Differences (par. 142 below)	(8 612)			(8 612)
Presentation Differences (par. 143 below)	(52 496)	3 375	(968)	(50 089)
Actual Amounts in the Statement of Cash Flow (Statement IV)	(58 456)	3 375	(968)	(56 049)

142. Entity differences occur when the approved publicly available budgets process omits programmes or Funds that are part of an entity for which the financial statements are prepared. Entity differences represent revenue (CAD 166 438 thousand) less expenses (CAD 175 050 thousand) reported in Statement V-A that are included in the Statement of Financial Performance (Statement II), and relate to other Regular Activities and Technical Cooperation Project activities. These activities and projects are generally funded by extra-budgetary resources and are excluded from the Regular Programme and the AOSC budgetary process.
143. Presentation differences are due to differences in the format and classification schemes adopted for the presentation of Statement of Cash Flows (Statement IV) and Statement of Comparison of Budget and Actual Amount (Statement V-A). The Statement of Cash Flows is prepared using the indirect method and reflects the impact of all receipts and disbursements; Statements of

Comparison of Budgets and Actual Amounts present revenue and expenses for which expenses are authorized by the Assembly and Council. Since these statements cover the same financial year, there are no timing differences.

NOTE 5: SEGMENT REPORTING

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

144. Segment reporting is required under IPSAS and is described in Note 1. Financial Position by segment is shown in the next table followed by the Statement of Financial Performance by Segment. Some activities between the two segments lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the above tables to accurately present these accounting transactions and then eliminated to reconcile with Statements I and II.
145. The Regular Activities segment includes administrative fee revenue of CAD 7.4 million (CAD 9.7 million in 2018) charged by the AOSC Fund to Technical Co-operation projects. An equivalent amount is included as administrative overhead charges in the Technical Co-operation Projects segment and other expenses. The amount due to Technical Co-operation Projects by the Regular Activities segment at 31 December 2019 amounted to CAD 240 thousand (CAD 1 753 thousand at 31 December 2018). These amounts are eliminated for presentation purposes.

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.2

FINANCIAL POSITION BY SEGMENT
AT 31 DECEMBER 2019
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	2.1	119 812	127 356	226 553	275 058			346 365	402 414
Assessed contributions receivable from Member States	2.2	16 599	2 847					16 599	2 847
Inter-segment balances			1 753	240		(240)	(1 753)		
Receivables and advances	2.3	7 773	7 669	4 811	9 797			12 584	17 466
Inventories	2.4	696	550					696	550
Others	2.3	1 670	1 783	4	394			1 674	2 177
		146 550	141 958	231 608	285 249	(240)	(1 753)	377 918	425 454
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	2.2	4 322	5 963					4 322	5 963
Receivables and advances	2.3	312	373					312	373
Property, plant and equipment	2.5	6 369	4 391					6 369	4 391
Intangible assets	2.6	2 003	700					2 003	700
		13 006	11 427					13 006	11 427
TOTAL ASSETS		159 556	153 385	231 608	285 249	(240)	(1 753)	390 924	436 881
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	2.8	25 953	30 340	216 472	274 604			242 425	304 944
Accounts payable and accrued liabilities	2.9	30 331	22 592	12 989	6 615			43 320	29 207
Employee benefits	2.10	5 508	5 791	2 140	2 153			7 648	7 944
Inter-segment balances		240			1 753	(240)	(1 753)		
Credits to contracting/servicing governments	2.11	1 635	1 562					1 635	1 562
		63 667	60 285	231 601	285 125	(240)	(1 753)	295 028	343 657
NON-CURRENT LIABILITIES									
Employee benefits	2.10	164 329	151 001					164 329	151 001
		164 329	151 001					164 329	151 001
TOTAL LIABILITIES		227 996	211 286	231 601	285 125	(240)	(1 753)	459 357	494 658
NET ASSETS									
Accumulated deficit	2.12	(71 540)	(53 911)					(71 540)	(53 911)
Reserves	2.12	3 100	(3 990)	7	124			3 107	(3 866)
NET ASSETS/(ACCUMULATED DEFICIT)		(68 440)	(57 901)	7	124			(68 433)	(57 777)
TOTAL LIABILITIES AND NET ASSETS		159 556	153 385	231 608	285 249	(240)	(1 753)	390 924	436 881

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.3

FINANCIAL PERFORMANCE BY SEGMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of Canadian dollars)

	Notes	Regular Activities		Technical Co-operation Project Activities		Elimination		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
REVENUE									
Contributions for project agreements	3.2			139 868	170 269	(1 696)	(830)	138 172	169 439
Assessed contributions	3.2	109 824	98 400					109 824	98 400
Other revenue producing activities	3.2	25 395	25 549					25 395	25 549
Other voluntary contributions		16 511	14 532					16 511	14 532
Administrative fee revenue		11 010	13 403			(7 366)	(9 682)	3 644	3 721
Other revenue	3.2	3 533	9 760	410	288	(183)	(196)	3 760	9 852
TOTAL REVENUE		166 273	161 644	140 278	170 557	(9 245)	(10 708)	297 306	321 493
EXPENSES									
Staff salaries and employee benefits	3.3	129 840	122 088	42 278	51 591		(111)	172 118	173 568
Subcontracts, supplies and consumables	3.3	2 863	1 377	83 928	99 991			86 791	101 368
General operating expenses	3.3	18 884	15 854	1 109	2 022			19 993	17 876
Travel	3.3	10 667	10 896	3 443	5 001	(183)	(196)	13 927	15 701
Meetings		2 679	2 266					2 679	2 266
Training				1 390	1 500			1 390	1 500
Administrative overhead charges				7 372	9 647	(7 372)	(9 647)		
Other expenses	3.3	7 300	1 571	758	805	(1 690)	(754)	6 368	1 622
TOTAL EXPENSES		172 233	154 052	140 278	170 557	(9 245)	(10 708)	303 266	313 901
SURPLUS/(DEFICIT) FOR THE YEAR		(5 960)	7 592					(5 960)	7 592

Details may not add to the totals due to rounding

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

146. Lease commitments mainly pertain to ICAO premises.

	2019	2018
	<i>In thousands of CAD</i>	
Minimum obligations for property leases:		
1 – 5 years	402	502
Beyond 5 years	-	17
Total Property Leases Obligations	402	519

147. The lease commitments above include the 30 per cent portion of the lease payable by ICAO for Mexico Office. As at 31 December 2019, there are no other lease commitments for ICAO with regard to HQ or Regional Offices' premises as explained in Notes 2.5 and 3.1.

148. The future minimum lease revenues under non-cancellable operating leases total CAD 2.2 million for 2020 (CAD 2.1 million for 2019). These lease revenues comprise rental of premises to Delegations.

Note 6.2: Legal or Contingent Liabilities

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

150. A number of legal actions and claims have been brought against the Organization in relation to Technical Co-operation projects in South America. These are mainly claims by individuals demanding additional payments under local labour laws beyond what was provided for under their contract of employment. The total of such claims is USD 2.6 million (USD 3.5 million at 31 December 2018). It has been assessed as unlikely that ICAO would incur financial liabilities given that the governments concerned have committed in the underlying project agreements to absorb any financial liabilities which may arise from such claims.

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

	Number of Individuals	Compensation and Post Adjustment	Entitlements	Pension and Health Plans	Total Remuneration	Outstanding Advances Against Entitlements	Outstanding Loans
	<i>In thousands of CAD</i>						
President of Council/Key Management Personnel	12	2 863	337	909	4 109	16	-

151. The key management personnel (as defined by IPSAS 20) consist of: (i) the governing body of the Organization – the Council, including its President; and (ii) the members of the Senior Management Group (SMG) of the Secretariat. The Council consists of 36 Member States without personal appointment. The Senior Management Group comprises the head of the Secretariat, the

Secretary General; Directors at Headquarters; and a number of Chiefs reporting directly to the Secretary General. The key management personnel have the authority and responsibility for planning, directing and controlling the activities of ICAO and for the establishment of policies. Total remuneration reported above is paid to the President of the Council and members of the Senior Management Group.

152. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance, repatriation and education grants, and also employer pension and current health insurance contributions. Outstanding advances against entitlements are composed of education grant advances.
153. Key management personnel also qualify for post-employment benefits (Note 2.10) at the same level as other employees. These benefits cannot be accurately quantified on an individual basis, thus are not included in the table above.
154. Key management personnel are ordinary members of UNJSPF with the exception of a number of D-2 level personnel and above who do not participate in the UNJSPF. Amounts paid by ICAO in lieu of contributions to the plan, which represents 15.8 per cent of the pensionable remuneration, are included in total remuneration.
155. Total remuneration also includes an amount of CAD 197 thousand paid during the year to a close family member of key management personnel. The close family member of the key management personnel was working in the same bureau and in direct hierarchical relationship to the key management personnel until the key management personnel separated in December 2019.

Note 7.2: Related Party Transactions

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

NOTE 8: EVENTS AFTER THE REPORTING DATE

157. ICAO's reporting date is 31 December 2019. Before signing of these financial statements by the Secretary General, COVID-19 pandemic outbreak in March 2020 brought disruption to the ICAO's normal business operations as well as to most of ICAO's Member States. It has also placed significant challenges to aviation sector and called for ICAO to deal with the various economic and regulatory compliance concerns during the outbreak and the future recovery. Business Continuity Plan (BCP) was activated in mid-March, with teleworking and virtual meetings implemented to reduce the impact on our business. Non-essential travels were suspended and the work programmes were being re-prioritized accordingly. ICAO has started to implement measures to deal with the possible liquidity risks and reduce the extent of revenue reduction in ARGF and AOSC funds. ICAO is satisfied that the going concern assumptions are not affected by the pandemic with such measures together with the reserves and surpluses in ARGF and AOSC funds.

ICAO sets assumptions for the ASHI, annual leave and repatriation related liabilities based on those most appropriate for long term projections of medical cost, mortality, and inflation rates, as well as the yield curve as at the measurement date. As at the date of signing these statements, it was too early to tell the long term impact of the COVID-19 pandemic on these assumptions. ICAO will continue to monitor the impact of the pandemic when setting assumptions to calculate liabilities for these programs in the future. In accordance with IPSAS 14, this situation is a non-

adjusting event and there was no impact on ICAO's 2019 financial performance and financial position as of 31 December 2019.

Despite of the negative financial environment, ICAO's portfolio of investments, mainly in term deposits with financial institutions with AA ratings and above, remained healthy. Some fixed assets became temporarily idle but no impairment would be required as the tele-working and physical distancing requirements were temporary in nature. As of the statements signing date, some minimal level of expenditures on personal protective equipment and supplies were incurred thanks to the timely implementation of the BCP. With the pandemic spreading all over the world, ICAO expected to see negative impact on project implementation in the countries affected by the pandemic. ARGF workshops and training events were also expected to be delayed or held virtually. ICAO will continue monitoring the situation to adjust our business operations accordingly.

PART IV: TABLES
(UNAUDITED)

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR ACTIVITIES BY FUND
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2019 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2019
 (in thousands of Canadian dollars)

	Regular Budget	Capital Fund	Revolving Fund	Ancillary Revenue Generation Funds	Administrative/O perational Services Cost Funds	AVSEC Activities	AFI Plan Fund	Joint Finance Funds	Incentive for Settlement of Arrears Account
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	52 629		1 517	16 563	15 660	9 760	711	1 892	243
Assessed contributions receivable from Member States	16 599								
Inter-fund balances				412	65				
Receivables and advances	1 774			5 016	125	128		86	
Inventories				696					
Others	1 507			98	35	3	8		
	<u>72 509</u>		<u>1 517</u>	<u>22 785</u>	<u>15 885</u>	<u>9 891</u>	<u>719</u>	<u>1 978</u>	<u>243</u>
NON-CURRENT ASSETS									
Assessed contributions receivable from Member States	4 322								
Receivables and advances	312								
Property, plant and equipment		6 369							
Intangible assets		2 003							
	<u>4 634</u>	<u>8 372</u>							
TOTAL ASSETS	<u>77 143</u>	<u>8 372</u>	<u>1 517</u>	<u>22 785</u>	<u>15 885</u>	<u>9 891</u>	<u>719</u>	<u>1 978</u>	<u>243</u>
LIABILITIES									
CURRENT LIABILITIES									
Advanced receipts	7 053			2 738	3	11			
Accounts payable and accrued liabilities	27 537			1 427	254	69	4	343	
Employee benefits			5 508						
Inter-fund balances	717								
Credits to contracting/service governments								1 635	
	<u>35 307</u>		<u>5 508</u>	<u>4 165</u>	<u>257</u>	<u>80</u>	<u>4</u>	<u>1 978</u>	
NON-CURRENT LIABILITIES									
Employee benefits			164 329						
			164 329						
TOTAL LIABILITIES	<u>35 307</u>		<u>169 837</u>	<u>4 165</u>	<u>257</u>	<u>80</u>	<u>4</u>	<u>1 978</u>	
NET ASSETS									
Accumulated surplus/(deficit)	22 599	8 372	(133 574)	249	15 628	9 811	715		6
Reserves	19 237		(34 746)	18 371					237
NET ASSETS/(ACCUMULATED DEFICIT)	<u>41 836</u>	<u>8 372</u>	<u>(168 320)</u>	<u>18 620</u>	<u>15 628</u>	<u>9 811</u>	<u>715</u>		<u>243</u>
TOTAL LIABILITIES AND NET ASSETS	<u>77 143</u>	<u>8 372</u>	<u>1 517</u>	<u>22 785</u>	<u>15 885</u>	<u>9 891</u>	<u>719</u>	<u>1 978</u>	<u>243</u>
REVENUE									
Assessed contributions	109 824								
Other revenue producing activities	1			26 577				(22)	
Other voluntary contributions						2 420	67		
Administrative fee revenue					11 067				
Other revenue	9 225	4 437	4 081	361	758	276	19	50	6
TOTAL REVENUE	<u>119 050</u>	<u>4 437</u>	<u>4 081</u>	<u>26 938</u>	<u>11 825</u>	<u>2 696</u>	<u>86</u>	<u>28</u>	<u>6</u>
EXPENSES									
Staff salaries and employee benefits	91 295		13 494	13 415	10 251	1 461		5	
Subcontracts, supplies and consumables	591			360					
General operating expenses	15 400	1 137		10 467	292	103			334
Travel	5 729			1 593	234	1 344	336		
Meetings	1 949			124		6	66		
Administrative overhead charges				31		106	5		
Other expenses	3 311			763	13	399	44		22
TOTAL EXPENSES	<u>118 275</u>	<u>1 137</u>	<u>13 494</u>	<u>26 753</u>	<u>10 790</u>	<u>3 419</u>	<u>451</u>	<u>5</u>	<u>356</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>775</u>	<u>3 300</u>	<u>(9 413)</u>	<u>185</u>	<u>1 035</u>	<u>(723)</u>	<u>(365)</u>	<u>23</u>	<u>(350)</u>

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2019 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2019
(in thousands of Canadian dollars)

Table A
(continued)

	Resource Mobilization Funds	Public Key Directory	Regional Sub- Office	Safe Fund	Environment Funds	Other Funds	Total	Elimination	2019	2018
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	4 315	2 334	1 153	2 578	2 331	8 126	119 812		119 812	127 356
Assessed contributions receivable from Member States							16 599		16 599	2 847
Inter-fund balances						1	478	(478)		1 753
Receivables and advances		326				318	7 773		7 773	7 669
Inventories							696		696	550
Others	2		1			16	1 670		1 670	1 783
	<u>4 317</u>	<u>2 660</u>	<u>1 154</u>	<u>2 578</u>	<u>2 331</u>	<u>8 461</u>	<u>147 028</u>	<u>(478)</u>	<u>146 550</u>	<u>141 958</u>
NON-CURRENT ASSETS										
Assessed contributions receivable from Member States							4 322		4 322	5 963
Receivables and advances							312		312	373
Property, plant and equipment							6 369		6 369	4 391
Intangible assets							2 003		2 003	700
							<u>13 006</u>		<u>13 006</u>	<u>11 426</u>
TOTAL ASSETS	<u>4 317</u>	<u>2 660</u>	<u>1 154</u>	<u>2 578</u>	<u>2 331</u>	<u>8 461</u>	<u>160 034</u>	<u>(478)</u>	<u>159 556</u>	<u>153 384</u>
LIABILITIES										
CURRENT LIABILITIES										
Advanced receipts		2 423				721	12 949	13 004	25 953	30 340
Accounts payable and accrued liabilities	211	237	15	3	192	39	30 331		30 331	22 592
Employee benefits							5 508		5 508	5 791
Inter-fund balances						1	718	(478)	240	
Credits to contracting/service governments							1 635		1 635	1 562
	<u>211</u>	<u>2 660</u>	<u>15</u>	<u>3</u>	<u>192</u>	<u>761</u>	<u>51 141</u>	<u>12 526</u>	<u>63 667</u>	<u>60 285</u>
NON-CURRENT LIABILITIES										
Employee benefits							164 329		164 329	151 001
							<u>164 329</u>		<u>164 329</u>	<u>151 001</u>
TOTAL LIABILITIES	<u>211</u>	<u>2 660</u>	<u>15</u>	<u>3</u>	<u>192</u>	<u>761</u>	<u>215 470</u>	<u>12 526</u>	<u>227 996</u>	<u>211 286</u>
NET ASSETS										
Accumulated surplus/(deficit)	4 106		1 139	2 575	2 139	7 699	(58 536)	(13 004)	(71 540)	(53 912)
Reserves						1	3 100		3 100	(3 990)
	<u>4 106</u>		<u>1 139</u>	<u>2 575</u>	<u>2 139</u>	<u>7 700</u>	<u>(55 436)</u>	<u>(13 004)</u>	<u>(68 440)</u>	<u>(57 901)</u>
NET ASSETS (ACCUMULATED DEFICIT)	<u>4 106</u>		<u>1 139</u>	<u>2 575</u>	<u>2 139</u>	<u>7 700</u>	<u>(55 436)</u>	<u>(13 004)</u>	<u>(68 440)</u>	<u>(57 901)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>4 317</u>	<u>2 660</u>	<u>1 154</u>	<u>2 578</u>	<u>2 331</u>	<u>8 461</u>	<u>160 034</u>	<u>(478)</u>	<u>159 556</u>	<u>153 384</u>
REVENUE										
Assessed contributions							109 824		109 824	98 400
Other revenue producing activities			3			169	26 728	(1 333)	25 395	25 549
Other voluntary contributions	3 204	2 396	805	394	166	3 352	12 804	3 707	16 511	14 532
Administrative fee revenue							11 066	(56)	11 010	13 403
Other revenue	72	54	8	60	83	1 320	20 811	(17 278)	3 533	9 760
	<u>3 276</u>	<u>2 450</u>	<u>816</u>	<u>454</u>	<u>249</u>	<u>4 841</u>	<u>181 233</u>	<u>(14 960)</u>	<u>166 273</u>	<u>161 643</u>
TOTAL REVENUE	<u>3 276</u>	<u>2 450</u>	<u>816</u>	<u>454</u>	<u>249</u>	<u>4 841</u>	<u>181 233</u>	<u>(14 960)</u>	<u>166 273</u>	<u>161 643</u>
EXPENSES										
Staff salaries and employee benefits	263	2 173	360		583	3 023	136 324	(6 484)	129 840	122 088
Subcontracts, supplies and consumables			14		3 404		4 368	(1 505)	2 863	1 377
General operating expenses	165	30	276	16	86	376	28 682	(9 798)	18 884	15 854
Travel	387	58	60	90	68	768	10 667		10 667	10 896
Meetings	309		13	2	8	202	2 679		2 679	2 266
Administrative overhead charges	121	83	4	9	290	223	872	(872)		
Other expenses	1 668	106	108	333	240	300	7 307	(7)	7 300	1 571
	<u>2 913</u>	<u>2 450</u>	<u>835</u>	<u>450</u>	<u>4 679</u>	<u>4 892</u>	<u>190 899</u>	<u>(18 666)</u>	<u>172 233</u>	<u>154 052</u>
TOTAL EXPENSES	<u>2 913</u>	<u>2 450</u>	<u>835</u>	<u>450</u>	<u>4 679</u>	<u>4 892</u>	<u>190 899</u>	<u>(18 666)</u>	<u>172 233</u>	<u>154 052</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR	<u>363</u>		<u>(19)</u>	<u>4</u>	<u>(4 430)</u>	<u>(51)</u>	<u>(9 666)</u>	<u>3 706</u>	<u>(5 960)</u>	<u>7 591</u>

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2019

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2019	Assessments 2019	Assessments Received for 2019	Balance of Assessments Receivable for 2019	Balance of Prior Years' Assessments Receivable				
Afghanistan	0.06	65		65		65	(1)	64	
Albania	0.06	65	65						
Algeria	0.13	141	141						
Andorra	0.06	65	65						
Angola	0.09	98	98		110	110	1	111	
Antigua and Barbuda (**)	0.06	65		65	1 116	1 182	203	1 384	
Argentina	0.69	748	748						20
Armenia	0.06	65	65						61
Australia	2.06	2 234	2 234						1 942
Austria	0.60	651	651						
Azerbaijan	0.06	65	65						
Bahamas	0.06	65	65						
Bahrain	0.09	98	98						
Bangladesh	0.08	87	87						
Barbados	0.06	65	65						
Belarus	0.06	65	65						
Belgium	0.76	824	824						
Belize	0.06	65	65						
Benin	0.06	65	65						
Bhutan	0.06	65	26	39		39		39	
Bolivia (Plurinational State of)	0.06	65	65						
Bosnia and Herzegovina	0.06	65	65						
Botswana	0.06	65	65						
Brazil	2.94	3 189	1 959	1 230		1 230	(50)	1 179	
Brunei Darussalam	0.06	65	65						
Bulgaria	0.06	65	65						
Burkina Faso	0.06	65	65						
Burundi	0.06	65	65						
Cabo Verde	0.06	65	65						
Cambodia	0.06	65	65		27	27	9	36	
Cameroon	0.06	65	65						
Canada	2.61	2 831	2 831						2 548
Central African Republic	0.06	65	65						
Chad	0.06	65	65						2
Chile	0.42	456	434	22		22		22	
China	7.95	8 623	8 623						265
Colombia	0.31	336	336						
Comoros	0.06	65	65						
Congo	0.06	65	65						
Cook Islands	0.06	65	65						
Costa Rica	0.06	65	65						
Côte d'Ivoire	0.06	65	65						
Croatia	0.07	76	76						
Cuba	0.06	65	65						
Cyprus	0.06	65	65						
Czechia	0.27	293	293						
Democratic People's Republic of Korea	0.06	65	65						
Democratic Republic of the Congo	0.06	65	65	65	18	83	(1)	82	
Denmark	0.45	488	488						
Djibouti (*)	0.06	65		65	722	787	157	944	
Dominican Republic	0.06	65	65						
Dominica (**) (***)	0.06	50		50		50	(1)	49	
Ecuador	0.07	76	76						
Egypt	0.22	239	239						
El Salvador	0.06	65	65						
Equatorial Guinea	0.06	65	65						
Eritrea	0.06	65		65	12	77	(1)	76	
Estonia	0.06	65	65						
Eswatini	0.06	65	65						
Ethiopia	0.16	174	174						
Fiji	0.06	65	65						
Finland	0.43	466	466						
France	4.13	4 480	4 480						
Gabon	0.06	65	65						
Gambia	0.06	65		65	155	220	(1)	219	
Georgia	0.06	65	65		25	25	8	33	61

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2019

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2019	Assessments 2019	Assessments Received for 2019	Balance of Assessments Receivable for 2019	Balance of Prior Years' Assessments Receivable				
Germany	5.48	5 944	5 944						
Ghana	0.06	65	65						
Greece	0.35	380	380						
Grenada	0.06	65	65		413	413		448	
Guatemala	0.06	65		65	112	177	(1)	177	
Guinea (*)	0.06	65		65	73	138	23	161	
Guinea-Bissau	0.06	65	65						
Guyana	0.06	65	65						
Haiti	0.06	65		65	211	276	(1)	275	
Honduras	0.06	65	65						
Hungary	0.18	195	195						
Iceland	0.06	65	65						
India	0.85	922	922						
Indonesia	0.55	597	597						
Iran (Islamic Republic of)	0.38	412		412	1 079	1 491	(14)	1 477	
Iraq (*)	0.09	98	96	2	91	93	28	121	
Ireland	0.60	651	651						
Israel	0.41	445	445						186
Italy	2.75	2 983	2 983						
Jamaica	0.06	65	65						
Japan	7.50	8 135	8 135						
Jordan	0.06	65	65						
Kazakhstan	0.17	184	184						
Kenya	0.07	76	76						
Kiribati	0.06	65	64	1		1		1	
Kuwait	0.25	271	259	13		13		13	
Kyrgyzstan	0.06	65	65						
Lao People's Democratic Republic	0.06	65	65						
Latvia	0.06	65	65						
Lebanon	0.06	65		65		65	(1)	64	
Lesotho	0.06	65	65						
Liberia (*)	0.06	65		65	103	168	32	200	
Libya	0.11	119		119	373	493	(2)	491	
Lithuania	0.06	65	65						
Luxembourg	0.27	293	293						
Madagascar	0.06	65	65						
Malawi	0.06	65		65	787	852	93	945	
Malaysia	0.60	651	651						
Maldives	0.06	65	65						
Mali	0.06	65	65						
Malta	0.06	65	65						
Marshall Islands	0.06	65	65						
Mauritania	0.06	65	65						
Mauritius	0.06	65	65						61
Mexico	1.16	1 258	1 258						
Micronesia (Federated States of)	0.06	65		65	287	353	4	356	
Monaco	0.06	65	65						
Mongolia	0.06	65	65						
Montenegro	0.06	65	65						
Morocco	0.11	119	119						
Mozambique	0.06	65	65						
Myanmar	0.06	65	64	1		1		1	
Namibia	0.06	65	65						
Nauru (**)	0.06	65		65	975	1 040	156	1 196	
Nepal	0.06	65	65						
Netherlands	1.58	1 714	1 714						
New Zealand	0.31	336	336						352
Nicaragua	0.06	65	65						
Niger	0.06	65	65						
Nigeria	0.16	174	174						
Norway	0.76	824	824						
Oman	0.13	141	141						
Pakistan	0.13	141	141						156
Palau	0.06	65		65	557	622	24	645	
Panama	0.12	130	106	24		24	(1)	23	

INTERNATIONAL CIVIL AVIATION ORGANIZATION

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2019

(in thousands of Canadian dollars)

Member States Assembly Resolutions A39-37, A39-32 and A39-33	General Fund					Total Balances Receivable	Cumulative Exchange	Total Adjusted Balances Receivable	Contributions Received in Advance
	Scales 2019	Assessments 2019	Assessments Received for 2019	Balance of Assessments Receivable for 2019	Balance of Prior Years' Assessments Receivable				
Papua New Guinea	0.06	65		65	120	185	(1)	184	
Paraguay	0.06	65	65						
Peru	0.16	174	174						
Philippines	0.30	325	325						
Poland	0.62	673	673						
Portugal	0.41	445	445						
Qatar	0.83	900	900						
Republic of Korea	2.18	2 365	2 365						
Republic of Moldova	0.06	65	65						61
Romania	0.14	152	152						
Russian Federation	2.77	3 005	3 005						75
Rwanda	0.06	65	65						
Saint Kitts and Nevis	0.06	65	65						12
Saint Lucia	0.06	65	65						
Saint Vincent and the Grenadines	0.06	65		65	84	149	(1)	148	
Samoa	0.06	65	65						
San Marino	0.06	65	65						
Sao Tome and Principe	0.06	65		65	907	972	133	1 105	
Saudi Arabia	1.12	1 215	1 215						
Senegal	0.06	65	65						
Serbia	0.06	65	65						
Seychelles	0.06	65	65						
Sierra Leone	0.06	65	65		39	39	13	51	
Singapore	1.01	1 096	1 096						945
Slovakia	0.11	119	119						112
Slovenia	0.06	65	65						
Solomon Islands	0.06	65	63	2		2		2	
Somalia	0.06	65		65		65	(1)	64	
South Africa	0.39	423	423						
South Sudan	0.06	65		65	275	340	1	340	
Spain	2.03	2 202	2 202						
Sri Lanka	0.08	87	87						
Sudan	0.06	65	51	14		14	(1)	13	
Suriname	0.06	65		65	176	241	(3)	239	
Sweden	0.71	770	770						
Switzerland	1.04	1 128	1 128						
Syrian Arab Republic	0.06	65		65	345	410	10	421	
Tajikistan	0.06	65	65						
Thailand	0.59	640	640						
The former Yugoslav Republic of Macedonia	0.06	65	65						
Timor-Leste	0.06	65	65						
Togo	0.06	65	65						
Tonga	0.06	65		65	24	89		89	
Trinidad and Tobago	0.06	65	65						
Tunisia	0.06	65	59	6		6		6	
Turkey	1.30	1 410	1 410						
Turkmenistan	0.06	65	65						
Tuvalu (***)	0.06	65		65	2	67	(1)	66	
Uganda	0.06	65	65						
Ukraine	0.10	108	108						
United Arab Emirates	2.25	2 441	2 441						
United Kingdom	4.27	4 632	4 632						
United Republic of Tanzania	0.06	65	65						
United States	20.24	21 954	7 684	14 270		14 270	(248)	14 022	
Uruguay	0.06	65	65						
Uzbekistan	0.06	65	65						
Vanuatu	0.06	65	65						
Venezuela (Bolivarian Republic of)	0.41	445	445						
Viet Nam	0.14	152		152		152	(3)	149	
Yemen	0.06	65		65		65	(1)	64	
Zambia	0.06	65	64	2		2		2	
Zimbabwe	0.06	65	65						
The former Socialist Federal Republic of Yugoslavia (1)					501	501	168	669	
TOTAL (***)	100.12	108 583	90 598	17 985	9 720	27 704	762	28 466	6 860

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

* States which had not met their obligations according to the terms of their agreements as at 31 December 2019.

** Receivable amounts include Working Capital Fund.

*** New Member States: Tuvalu effective on 18 November 2017 and Dominica effective on 13 April 2019.

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table C

TECHNICAL CO-OPERATION PROJECT ACTIVITIES BY GROUP OF FUNDS
 ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2019 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2019
 (in thousands of Canadian dollars)

	United Nations Development Programme	Trust Funds and Management Service Agreements	Civil Aviation Purchasing Services Funds	Elimination	2019	2018
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents		219 742	6 811		226 553	275 058
Inter-fund balances	240	814		(814)	240	
Receivables and advances	699	4 001	111		4 811	9 797
Others		4			4	394
TOTAL ASSETS	939	224 561	6 922	(814)	231 608	285 249
LIABILITIES						
CURRENT LIABILITIES						
Advanced receipts		210 344	6 128		216 472	274 604
Accounts payable and accrued liabilities	90	12 105	794		12 989	6 615
Employee benefits	28	2 112			2 140	2 153
Inter-fund balances	814			(814)		1 753
TOTAL LIABILITIES	932	224 561	6 922	(814)	231 601	285 125
NET ASSETS						
Reserves*	7				7	124
NET ASSETS (ACCUMULATED DEFICIT)	7				7	124
TOTAL LIABILITIES AND NET ASSETS	939	224 561	6 922	(814)	231 608	285 249
REVENUE						
Contributions for project agreements		136 739	3 129		139 868	170 269
Other revenue		383	27		410	288
TOTAL REVENUE		137 122	3 156		140 278	170 557
EXPENSES						
Staff salaries and employee benefits		42 128	150		42 278	51 591
Subcontracts, supplies and consumables		81 140	2 788		83 928	99 991
General operating expenses		1 108	1		1 109	2 022
Travel		3 419	24		3 443	5 001
Training		1 390			1 390	1 500
Administrative overhead charges		7 186	186		7 372	9 647
Other expenses		751	7		758	805
TOTAL EXPENDITURE		137 122	3 156		140 278	170 557
SURPLUS/(DEFICIT) FOR THE YEAR						

* Reserves comprise translation differences

Details may not add to the totals due to rounding

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of United States dollars)

[illegible]

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table D
(Continued)

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2019	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2019
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Oman	MSA	86									86
Pakistan	MSA										
Panama	MSA	504		300	1	397	33	(53)	(2)		320
Panama	TF	66 377		10 940	616	37 706	613				39 614
Paraguay	MSA	1 269		8 000	43	1 000	208	(28)			8 076
Peru	MSA	10 099		11 231	10	8 526	1 079	(4)		23	11 753
Philippines	MSA	71					6				66
Philippines	TF										
Qatar	MSA	6		6							12
REGIONAL FOR AFRICA	MSA	6 223		700	69	1 405	85	984		(9)	6 477
REGIONAL FOR ASIA	MSA	452		148	4	176	18	(6)			404
REGIONAL FOR ASIA	TF	4 608		2 010	59	1 647	196	148		2	4 984
REGIONAL FOR EUROPE	MSA	37			1						38
REGIONAL FOR EUROPE	TF	63		100	2	60	8				98
REGIONAL FOR EUROPE AND MIDDLE EAST	MSA	416		170	5	201	20				370
REGIONAL FOR EUROPE AND MIDDLE EAST	TF	387			4	113	11				267
REGIONAL FOR LATIN AMERICA	MSA	795		376	1	404	21				747
REGIONAL FOR LATIN AMERICA	TF	4 501		1 707	54	2 453	215	111		(54)	3 651
Republic of Korea	MSA			40				(40)			
Republic of the Congo	MSA										
Rwanda	MSA	137				97	10				30
Saudi Arabia	MSA	6 806		7 238	368	4 918	351	(38)		4	9 109
Seychelles	MSA										
Sierra Leone	MSA	247			3	161	15				74
Singapore	MSA			51				(23)			28
Singapore	TF	103		99	1	93	5				105
Solomon Islands	IPAV	3						(3)			
Somalia	MSA	11 594				10 505	908	15 976		(1)	16 156
Somalia	TF	16 532		13 259	117	(19)	(1)	(15 976)	(13 045)		906
South Sudan	MSA			54		17	2				35
Spain	MSA	(4)		69		41	2				22
Sudan	MSA	170			1	1		(150)			21
Sweden	MSA	10		30		42	2			3	(1)
Thailand	MSA	116				33	3				79
Timor-Leste	IPAV	6						(6)			
Tonga	IPAV					10	1	11			
Trinidad and Tobago	TF	8									8
Turkey	MSA	13									13
UN DEPARTMENT OF PEACEKEEPING OPERATIONS	MSA	10									10
Uganda	MSA	131				1					130
United Republic of Tanzania	MSA	595				237	24				334
Uruguay	MSA	1 641		497	12	1 011	100	(73)		1	967
Venezuela (Bolivarian Republic of)	MSA	122			3		7				118
	LS	2 298		125	4	338	19	9	(779)	1	1 301
Funds held on behalf of third parties		2 160	105								2 265
Total		195 487	105	80 707	1 768	97 802	5 411	452	(14 576)	(41)	160 690
Equivalent Canadian Dollars		257 849	137	105 645	1 855	129 415	7 186	592	(19 079)	(54)	210 344

(1): On a cash basis

Details may not add to totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table E

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
 CIVIL AVIATION PURCHASING SERVICE FUNDS
 RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
 FOR THE PERIOD ENDING 31 DECEMBER 2019
 (in thousands of United States dollars)

Fund	Type of Fund	Balance as at 01-Jan-2019	Adjustment	Receipts		Expenses		Transfer from or to Other Funds	Refund of Contributions	Unrealized Exchange Gain or Loss	Balance as at 31-Dec-2019
				Contributions ⁽¹⁾	Interest and Other Income	Project Costs	Administrative Overhead				
Afghanistan	CAPS	170			2	31					140
Bahamas	CAPS	3									3
Bolivia	CAPS	5									5
Cabo Verde	CAPS	32			1						33
Canada	CAPS	39			1			(31)	(9)		
Costa Rica	CAPS	110			1			(111)			
Cuba	CAPS	17									18
Ethiopia	CAPS	1 137		1 387	14	193	73				2 272
Guinea	CAPS	45			1						46
Jamaica	CAPS					1		117			116
Lebanon	CAPS	1 973			14	1 303	11				673
Lesotho	CAPS	41			1						42
Libyan Arab Jamahiriya	CAPS	64			2						66
Macao Special Administrative Region	CAPS	583			6	471		(65)			54
Mozambique	CAPS	4									4
Nigeria	CAPS	286			2	208	5				76
Oman	CAPS	16									16
Russian Federation	CAPS	3									3
Seychelles	CAPS	(69)				(15)					(54)
Sudan	CAPS	101			1						103
Suriname	CAPS	6									6
Syrian Arab Republic	CAPS	742			9						750
Trinidad and Tobago	CAPS	307			3	24	52				234
United Republic of Tanzania	CAPS	12									12
Uruguay	CAPS	44			1						45
Yemen	CAPS	18									18
Total		5 688		1 387	61	2 216	140	(89)	(9)		4 682
Equivalent Canadian Dollars		7 490		1 816	100	2 963	186	(116)	(12)		6 128

(1): On a cash basis

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

PART V: REPORT OF THE EXTERNAL AUDITOR TO THE ASSEMBLY ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORTS OF THE EXTERNAL AUDITOR



Corte dei conti

REPORT OF THE EXTERNAL AUDITOR

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Audit of the financial statements for 2019

15 October 2020

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INTRODUCTION

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

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

This audit looked at the ICAO Report for the Financial Year ended 31 December 2019 and its consistency.

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

We audited the accounts for the Financial Year 2019 based on the INTOSAI standards and the IPSAS regime and in line with the Additional terms of reference that are an integral part of the ICAO Financial Regulations and Rules.

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

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

Due to the Covid-19 pandemic, we were obliged to leave the Organization before starting our audit and, in particular, the on-the-spot testing of certain categories, such as the fixed asset register, inventories, personnel files etc.; the ICAO itself closed and switched to the remote working mode; therefore, this limited our testing and we performed alternative procedures where International Auditing Standards envisage direct verification of underlines transactions. We also classified as "ongoing" some of our recommendations, without the possibility of following-up them by audits, since our capacity of performing an audit on-the-spot was limited by authoritative legislation. Nevertheless, our audit carried out remotely jointly with our knowledge of the internal controls operating in ICAO allowed us to arrive to a conclusion in relation to the accounts and disclosures in the Financial Statements.

Although the audit was performed through alternative procedures, as stated above, we obtained a sufficient basis for the opinion given in the audit certificate.

During the audit carried out remotely, all questions were discussed and clarified through emails' exchange and telephone calls with the officials responsible. The team had regular discussions with Chief, Finance Branch (FIN), and members of FIN staff or with Management and staff in other departments, depending on the subject matter under consideration.

We received the financial statements, signed by the Secretary General on 31 March 2020. Pursuant to paragraph 9 of the Additional terms of reference governing the external audit, we sought comments from the Secretary General. These comments were received on 13 and 14 October 2020 and were duly incorporated in this report.

We audited the financial operating report on the audited accounts held by the ICAO relating to the financial results as of 31 December 2019, presented in compliance with the ICAO Financial Regulations and Rules (Sixteenth edition), Article XIII.

A Letter of Representation referring to the Accounts for the Financial Year 2019, signed by the Secretary General and the Chief of the Finance Branch, was included in the Financial Statements and is an integral part of the audit documentation.

We also received the Statement of Internal Control for 2020, signed by the Secretary General on 31 March 2020.

We have highlighted the findings of our audit activity as “Recommendations”. Where an issue is out of the Management’s remit, we have drawn the Council’s attention to it.

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



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AUDIT CERTIFICATE

Opinion

We have audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the statement of financial position as at 31 December 2019, the statement of financial performance, the statement of changes in net assets, the statement of cash flow and the statement of comparison of budget and actual amount for the Regular Programme General Fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Civil Aviation Organization (ICAO) as at 31 December 2019, and its financial performance, its changes in net asset, its cash flows and its comparison of budget and actual amounts for the Regular Programme General Fund for the year then ended, in accordance with IPSAS and the ICAO Financial Regulations and Rules.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

In accordance with the ICAO Financial Regulations and Rules (Article XIII) and the Additional terms of reference governing the external audit (Annex B to these Financial

Regulations and Rules) we have also issued a detailed report on our audit of the ICAO Financial Statements for 2019.

Emphasis of matter – Covid-19 pandemic and subsequent events

Without modifying our opinion, we draw attention to the Notes to the financial statements, which describe the situation in the context of the Covid-19 global pandemic declared by the World Health Organization in March 2020. The situation is constantly evolving and the measures put in place are having multiple impacts on local, regional, national and global economies. Management is closely monitoring the situation and, when possible, has duly considered in the Notes the subsequent events after the reporting date. However, the overall effect of these events on the Organization and its operations is too uncertain to be estimated at this time. The impacts will be accounted for when they are known and may be assessed.

As a result, we are unable to estimate the potential impact on the Organization's operations as at the date of these financial statements.

Emphasis of matter – Impact of actuarial liabilities

We also draw attention to the fact that the Statement of financial position shows a negative Net Asset (-68.4 MCAD), mainly due to the impact of 164.3 MCAD in actuarial liabilities relating to long-term employee benefits recorded in the financial position. Details of our analysis are included in our report. Management is acting according to its competences and powers and is constantly monitoring the situation. Council is warned on the need to consider further actions in a long-term perspective. Our opinion is not modified in respect of this matter.

Rome, 15 October 2020

Guido Carlino
President of the
Corte dei conti



STRUCTURE OF THE ACCOUNTING STATEMENTS

1. The ICAO's Financial Statements, prepared and presented in compliance with IPSAS 1, included the following elements:

- Statement of financial position (Statement I) – Balance sheet at 31 December 2019 with comparative figures as of 31 December 2018, showing Assets (divided into Current and Non-current assets), Liabilities (split into Current and Non-current liabilities) and Net assets;
- Statement of financial performance (Statement II) for the year ended 31 December 2019, with comparative figures as of 31 December 2018, showing the Surplus/Deficit for the financial year;
- Statement of Changes in Net Assets for the year ended 31 December 2019 (Statement III), showing the value of the Net assets including the surplus or deficit for the Financial Year including losses directly recorded in Net assets without being recorded to the Statement of Financial Performance;
- Cash Flow (Statement IV): table of cash flows for the period closed on 31 December 2019, showing the inflow and outflow of cash and cash equivalents, purposely regarding the operational, investment and financing transactions and the treasury totals at the end of the Financial Year;
- Comparison of Budget and Actual Amounts (Statement V) for the 2019 financial period, limited to the Regular Programme General Fund, and the Statement V-A, i.e. the Comparison of Budget and Actual Amounts for all funds of the Organization for the year ended 31 December 2019;
- Notes to the financial statements, providing information about accounting policies, segment reporting and additional information necessary for a fair presentation (quoted in this Report as “Note” or “Notes”).

STATEMENT OF FINANCIAL POSITION 2019

ASSETS

2. In 2019, the ICAO's Assets amounted to 390.9 million CAD (MCAD), a decrease of 46 MCAD (-10.5%) as compared with the value recorded in 2018 (436.9 MCAD).
3. They consisted of Current assets, amounting to 377.9 MCAD, representing 96.7% of Total Assets (in 2018, the figure was 425.5 MCAD, representing 97.4% of Total Assets), and Non-Current Assets, amounting to 13 MCAD, or 3.3 % of Total Assets (in 2018, 11.4 MCAD, or 2.6% of Total Assets).

Current Assets

4. Total Current Assets in 2019 amounted to 377.9 MCAD, representing a decrease of 47.5 MCAD (-11.2%) as compared with 2018. The main sub-heading, “Cash and cash equivalents”, decreased by 56 MCAD and a decreased was observed also for “Receivables and advances” (-4.9 MCAD) and for “Others” (-0.5 MCAD); on the contrary, “Assessed contributions receivable from Member States” increased by 13.8 MCAD and “Inventories” increased by 0.1 MCAD. The basis for evaluating Current Assets is given in the Accounting Policies (Note 1).

Cash and cash equivalents

5. As stated in paragraph 4, the sub-heading “Cash and cash equivalents”, totalling 346.4 MCAD, decreased by 56.0 MCAD (-13.9%) compared to 402.4 MCAD in 2018. It included cash-in-banks and short-term deposits as of 31 December 2019. As shown in Note 2.1, the composition of the sub-heading is the following:

	2019	2018	% diff.
Cash in banks	37,9	52,7	-28,0%
Term deposits	308,4	349,7	-11,8%
<i>Total Cash and Cash Equivalents</i>	<i>346,4</i>	<i>402,4</i>	<i>-13,9%</i>

6. We asked all the banks and financial institutions with business relations with ICAO to confirm the current account balances as of 31 December 2019.

Mitigating urgently risks in field imprest and Regional offices accounts (through an effective enhancement of internal controls in treasury management)

7. As every year, we asked all the banks and financial institutions with business relations with ICAO to confirm the current account balances as of 31 December 2019.
8. At the beginning of our 6-year mandate, we asked FIN Management to introduce a new model for bank’s account confirmation: FIN agreed to attach to the confirmation letter standard form, utilized by our predecessors, a detailed checklist, in order to increase the level of assurance in all aspects of treasury management. For instance, the checklist obliged counterparties (banks, financial institutions, cash deposit owner, etc.) to provide in specific boxes detailed information over, for example, signature powers and, if existing, further current accounts, safe boxes, warrants, investments, deposits, etc.
9. As a matter of fact, in relation to the accounts related to treasury (for instance: cash and cash equivalents), the confirmation letters and the above-mentioned checklists answered directly by counterparties and delivered directly to the External Auditor

(and in copy to Management), jointly with alternative procedures, provided us, during our 6-year mandate, a sufficient level of assurance on the reliability and correctness of the balances recorded in the financial statements for cash and cash equivalents.

10. At the same time, confirmations and the related detailed checklists, directly received from banks, showed sometimes several irregularities and/or inconsistencies, for instance: wrongly updated lists of signature powers or unrecorded liabilities (please refer to our recommendations n. 1/2015, n. 1/2018 and n. 2/2018) that Management promptly corrected or duly investigated.
11. This year, with reference to 2019 financial year we did not receive the requested confirmation for 3 banks corresponding to two Regional offices¹ and a Regional Sub-office (in Beijing), and for 8 banking institutions out of 9 for TCB field imprest accounts.
12. Management considered the above mentioned statistics in a different way, and this is the reason why we attached a summary table where our statistics are matched with FIN statistics and explanation for different data are provided in a specific box of the mentioned table.
13. It is worthwhile mentioning that, as stated above, the standard audit process requires External Auditors to receive directly bank's confirmations, otherwise letters declared as arrived to FIN, and not received by us, should be considered by the auditor only as a document for a more efficient alternative procedure but not sufficient to provide a full assurance on balances recorded in the accounting.
14. Furthermore, although FIN declared some of the letters as arrived to them, in order to corroborate the soundness of our statistics we also reported when a confirmation letter never arrived to us in the 6 year of mandate: it appears logic to us that, if a confirmation letter never arrived in 6 years to us, we could not consider "statistically" as arrived a letter only in the last year to ICAO; in any case, for transparency, we report also the information provided by ICAO.
15. In two cases, the Management referred that the Banks do not send the confirmation letter directly to the external Auditor: we consider it as a decrease in the effectiveness of internal controls, because, in this case, it is also uncertain that the Headquarters can receive information reliable, leaving FIN the risk of relying only on data that cannot be verified directly.

¹ Ros' in Mexico city and Lima.

16. In the table below is shown the situation of the field projects confirmations letters, as results from ICAO's records, in comparison with the situation that results to the EA.

Confirmation letters received at 31.12.2019						
As per ICAO's records					As per EAs' records	
No.	Bank	Active accounts	Letters to Auditors as declared by ICAO (RECEIVED for FIN)	Letter to Auditors as declared by ICAO (NOT RECEIVED For FIN)	Ref. to 2019	In all 6-years
1.	Bank Nacion Argentina	3	3		NOT RECEIVED	NEVER RECEIVED for 2 accounts (10369 and 10378), and RECEIVED only for financial year 2016 for the account 10386
2.	CITIBank	1		1	NOT RECEIVED	RECEIVED only for financial year 2014
3.	Banco de credito del Peru	2		2	NOT RECEIVED	NEVER RECEIVED
5.	Bank of China	2	2		NOT RECEIVED	NEVER RECEIVED
6.	SIAM Commercial bank	3		3	RECEIVED	RECEIVED
7.	SAUDI American bank (SAMBA Financial group)	2	2		NOT RECEIVED	NEVER RECEIVED
8.	KENYA Commercial bank	2		2	NOT RECEIVED	RECEIVED in past years
9.	SCOTIABANK Uruguay S.A.	2		2	NOT RECEIVED	RECEIVED only for financial years 2016 and 2017
Tot.		17	7	10		

17. Being the financial year 2019 the last audit year of our mandate, even taking into due consideration that our audit has been delayed due to the SARS-COV-2 pandemic, we can summarize that, for the entire period of our mandate, we have then never received direct confirmation letters for two Regional offices and a Regional Sub-office, and at least for six projects, (not considering the closed ones, otherwise the percentage should be higher) as represented in the tables below:

RO's and Sub-Office accounts' confirmations never received in 6-years			
Bank	Address	Office	Account's no.
Banco de Credito del Peru	Juan de Arona 893, 7mo Piso San Isidro, Lima 27 Peru	RO in Lima	10309
			10310
			10346
BANORTE (Banco Mercantil del Norte S.A.)	Presidente Masaryk No. 29 Local C, Col. Polanco, Miguel Hidalgo, D.F.11560, Mexico	RO in Mexico City	10308 10307
Bank of China	Beijing Capital Airport Branch	Sub-Office in Beijing	10380

Imprest accounts' confirmations never received in 6-years			
Bank	Project	Fund	Account's no.
Bank Nacion Argentina	ARG/07/803	5318	10369
	ARG/10/801	5517	10378
Banco de Credito del Peru	PER/12/801, PER/17/801	5535, 5696	10373 10374
Bank of China	RAS/09/801A	5439	10383 10370
Saudi American Bank (Samba Financial Group)	SAU/97/801	5199 5200	10348
	SAU/97/802		10347

18. Furthermore, our standard letters of confirmation require that third parties provide us directly with several data that, if not received directly from banks and financial institutions, might not be disclosed to us through standard alternative procedures on aforementioned bank accounts.
19. In our report on FS 2016, we issued a recommendation (n. 1/2016) on the lack of banks' confirmations and, considering the importance of this issue for obtaining reasonable assurance and, moreover, the fact that the confirmations' rate is low, we considered to renew our recommendation.

20. Although through alternative audit procedures, with supporting documentation provided by Management, we were able to reach a reasonable level assurance on the correctness of the values recorded at year-end in the accounts during the 6-year mandate; nevertheless, the fact of not having ever received further information (as requested in our attached checklist), from the mentioned field imprest and regional accounts, increases the risks that internal controls could not have worked properly and/or effectively, in relation to assess the correctness of the signature powers and in the research for unrecorded liabilities that local staff and their Management could not have detected and duly communicated to FIN.

Recommendation n. 1

21. In order to increase the level of assurance in treasury management at field and regional level, by enhancing the efficiency and effectiveness of internal controls, in line with Recommendation 1/2018, we therefore recommend, in particular for accounts where we have never received a confirmation letter for 6 years, to promptly initiate a due diligence check of these accounts on the correctness of signatory powers and to search for potential unrecorded liabilities, through a review carried out by a unit independent of local Management, for instance FIN and EAO. The outcome of this work, carried out by people independent of the field staff, with the possible issue of relevant recommendations, could not only enhance the level of internal controls in the management of the field treasury, but also lower the level of reputational risk potentially linked to the risk of fraud at the field level.
22. At the same time, Management, if unacceptable level of risks might arise from some of these accounts where a direct confirmation has never received, could also explore the possibility and/or opportunity of closing some of these accounts and assessing if using alternatives provided in the UN system are effective and reliable (for instance UNDP).

Proposal and comments by the Secretary General

The recommendation is accepted:

It should be noted that imprest account balances represent less than 1% (0.85%) of total TCB projects cash of 2019. The Secretariat has taken action to implement previous recommendations in this respect by closing many imprest accounts as we found alternative ways to handle those operations and we will continue looking for alternatives for those still open. In 2020, we closed 3 additional accounts.

FIN has established a number of compensating controls to mitigate potential risks including: Signatories are appointed/changed by FIN in accordance with ICAO's Financial Rules and Regulations; Replenishments are actioned by ICAO HQ only after receipt of an internal approval process; Imprest account balance cannot exceed two months' worth of expenditures; Replenishments can be delayed or stopped if there are any delays in reporting expenses to ICAO HQ; and Balances are reconciled on a monthly basis. EAO will review the actions taken by FIN to confirm that these mitigating controls are in place.

Write-off of TCB dormant accounts without supporting documentations: mitigating the risk of similar accounts.

23. During our past audits, we identified in the accounts, in particular in "cash and cash equivalent", certain balances that remained outstanding since 2007. During our mandate, we have asked Management, through several emails, to provide evidence of these amounts inscribed in Agresso.
24. Management declared us that these were deposit accounts related to fellowship training for the TCB; however, after our considerations, in 2020, Management sent to the Secretary General an Inter-Office Memorandum dated 10 February 2020, in order to write-off these "*floating cash differences*" concerning fellowships and other items, amounting totally to USD 85'102.22. Secretary General approved the write-off of these unrecoverable long-aged deposits. Then, according to Article 11.4 of Financial Regulations, the Finance Committee was invited to write-off an amount of USD 53'239.00 of these deposits, which was approved.
25. The aforementioned write-off decision was based on the length of time elapsed since the accounts had become inactive and also on the fact that FIN had found no supporting documents: the understanding that these deposits had most probably been settled many years ago without the adequate registration, and the lack of documentation to confirm them with the counterpart, led the Management to the decision to write off.

Recommendation n. 2

26. The consideration that the carry forward of balances, inscribed in the accounts by TCB in 2007, of "*long aged deposits without details and supporting documents*" for more than a decade, shows severe weaknesses in the internal controls: TCB should have highlighted balances' inconsistencies earlier and taken action on them.

27. Furthermore, the explanation provided by FIN in the IOM dated 10 February 2020 and reported in the FIC decision, shows also that the communication between offices, FIN and TCB, was not continuous and reliable and needs to be improved.
28. In order to strengthen internal controls through an increase of the effectiveness of communication between FIN and TCB and in order to mitigate the risks that further items inscribed in Agresso might be related to accounts inactive and not supported by reliable documentation, we recommend FIN to check whether similar balances still exist and, in this case, proceed to the corresponding write-off, starting, at the same time, a reliable constant communication with TCB, for example through the use of signed checklists, highlighting the controls performed on the pertinent accounts.

Proposal and comments by the Secretary General

The recommendation is accepted: In 2019, the Secretariat implemented a new policy on accounts reconciliation to ensure that all balance sheet items across all funds are reconciled periodically. Significant progress has been made in historical accounts reconciliation and clean-up since then. Further write-off of this nature will be minimized.

Cash-in-hand at Headquarters and the Regional offices

29. On 31 December 2019, the cash-in-hand kept by the ICAO at Headquarters was equivalent to an amount of 2,381.92 CAD. Overall, the cash-in-hand at Regional offices amounted to the equivalent of 2,859.49 CAD.

Increasing accuracy in reporting cash-in-hand

30. Our work revealed some inaccuracies in the monthly report presented to Headquarters by the people in charge of the petty cash and imprest accounts, such as, for instance, incorrect or not mentioned Agresso account's number in the report. Management at Headquarters corrected promptly every inaccuracy detected.

Assessed contributions receivable from Member States

31. Assessed contributions receivable from Member States for the regular budget are composed of:

- a) *Current*, which are due within 12 months (16.6 MCAD, around 2.8 MCAD in 2018, with an increase of 483%);
 - b) *Non-current*, which are due after 12 months from the date of the financial statements (4.3 MCAD in 2019, around 6.0 MCAD in 2018, a decrease of 27.5%). This includes discounted long-term contributions.
32. The significant increase in current receivables is due to the fact that, as of the end of 2019, contributions from major contributors remain unpaid.
33. We analysed the procedures in place at the ICAO for the discounting of receivables and our audit did not reveal any major issues. The cumulative discount on long-term receivables totalled 6.9 MCAD in 2019, a decrease of 1.2 MCAD compared to 2018.
34. The status of outstanding contributions as of 31 December 2019 (including the year 2019) shows a total amount of 28.5 MCAD (including 0.8 MCAD as a consequence of the USD/CAD exchange rate for the USD assessment component) for 48 Member States including The Former Socialist Republic of Yugoslavia. The total amount outstanding as of 31 December 2018 was 17.6 MCAD (with 1.8 MCAD due to the exchange rate) for 54 Member States.

Receivables, advances and other current assets

35. Receivables and advances are composed of: a) *Current* (12.6 MCAD in 2019, a decrease of 28% with reference to 2018), and b) *Non-current* (0.3 MCAD in 2019, a decrease of 16.4% as compared with 2018, when the value was 0.4 MCAD).
36. *Current* represented 3.2% of the Total Assets, compared to 4.0% in 2018. As stated in Note 2.3, they represented advances to employees, receivables from United Nations Agencies and other amounts due from revenue generation activities, such as sales of publications, and the rental for conference rooms and space to delegations.
37. An amount of 1.7 MCAD in 2019 is shown in the closing balance sheet under “others”, with a decrease compared to 2018 (2.2 MCAD, -23.1%). A detailed breakdown of these values is reported by Management in Note 2.3.

Inventories

38. At the end of 2019, items related to publications, souvenirs, duty free items and supplies were recorded at a net value of 0.7 MCAD, an increase of 0.15 MCAD (+26.5%), compared to the 2018 net value of 0.55 MCAD. Inventories are detailed

in Note 2.4 and the values recorded in the Financial Statements are related to Publications (0.29 MCAD in 2019) and Commissariat (0.41 MCAD).

Non-current assets

39. As of 31 December 2019, Non-current assets totalled 13 MCAD, with an increase of 1.6 MCAD as compared with 2018. The basis for the evaluation of Non-current assets is given in the Accounting Policies (Note 1).
40. This heading is composed of: a) "Property, plant and equipment", amounting to 6.4 MCAD and representing 49% of total Non-current assets (in 2018 it was 4.4 MCAD, representing 38.4% of total Non-current assets); b) "Assessed contributions receivable from Member States", amounting to 4.3 MCAD (around 33.2% of the non-current assets); c) "Receivables and Advances", totalling 0.3 MCAD (see paragraph 35); d) "Intangible assets", amounting to 2 MCAD, around 15.4% of total non-current assets. The above-mentioned headings are illustrated in Notes 2.5, 2.2, 2.3 and 2.6 respectively.

Property, plant and equipment

41. The heading "Property, plant and equipment", as seen above, showed a value of 6.4 MCAD, which is the net value at 31 December 2019 (in 2018 it was 4.4 MCAD) of the capitalised cost for "Furniture & fixtures", "IT equipment", "Motor vehicles", "Machinery & Equipment", "Leasehold improvements" and "Leasehold improvements in progress". Acquisitions during the year amounted to 3.9 MCAD, there were transfers for 1 MCAD and depreciations totalled 0.9 MCAD. A detailed breakdown and descriptions are provided by Management in Note 2.5.

Intangible Assets

42. In 2019, Intangible Assets amounted to 2 MCAD, an increase of 1.3 MCAD compared to the amount of 2018; in 2019, additions amounted to 1.5 MCAD, mainly due to the category "Software under development"; depreciation totalled 0.2 MCAD. A detailed analysis is illustrated in Note 2.6.

LIABILITIES

43. In 2019, Total Liabilities amounted to 459.4 MCAD, a decrease of 35.3 MCAD (-7.1%) in comparison with the value recorded in 2018 (494.7 MCAD). They consisted of:

- a) *Current Liabilities*, amounting to 295 MCAD, representing 64.2% of Total Liabilities (in 2018, they represented 69.5%, totalling 343.7 MCAD), and
- b) *Non-Current Liabilities*, totalling 164.3 MCAD, composed only of actuarial liabilities related to Employee benefits, representing 35.8% of Total Liabilities (in 2018, non-current liabilities represented around 30.5%, totalling 151 MCAD).

Current Liabilities

44. As written above, in 2019 total Current Liabilities amounted to 295 MCAD, a decrease of around 48.6 MCAD (-14.2%) compared to 2018 (343.7 MCAD). These were composed of:

- a) “Advanced receipts”, totalling 242.4 MCAD in 2019 (304.9 MCAD in 2018, a decrease of 20.5%). These represented around 82.2% of Current Liabilities and 52.8% of total Liabilities and were mainly composed of voluntary contributions for Technical Cooperation projects (216.5 MCAD in 2019). The basis for the evaluation of Advanced receipts is set out in the Main Accounting Policies (Note 1). A breakdown of these values is provided by Management in Note 2.8.
- b) “Accounts payables and accrued liabilities”, recorded for an amount of 43.3 MCAD in 2019 (29.2 MCAD in 2018, an increase of 48.3%), representing 14.7% of Current Liabilities. Descriptions are provided by Management in Note 2.9.
- c) “Employee benefits”, recorded for 7.6 MCAD, a decrease of 0.3 MCAD (-3.7%) compared to 2018 (7.9 MCAD). See dedicated paragraph below for further considerations.
- d) “Credits to contracting/servicing governments” amounting to 1.6 MCAD and representing 0.6% of Current Liabilities (0.3% in 2018).

Non-current Liabilities

45. Total non-current Liabilities are only related to “Employee benefits”; in 2019, they amounted to 164.3 MCAD, representing an increase of 13.3 MCAD (8.8%) compared to 2018 (151 MCAD). The basis for the evaluation of Non-current Liabilities is given in the Note 2.10. Furthermore, in accordance with IPSAS, Management provided the sensitivity analysis of trend assumptions in Note 2.10.2.

Employee Benefits

46. Employee Benefits are disclosed in the Financial Statements under “Current Liabilities” with an amount of 7.6 MCAD and under “Non-current liabilities”, with a value of 164.3 MCAD, as summarised in the table below. The total increase in the Liabilities (Current and Non-current) is 13 MCAD.

<i>Liabilities</i>	Year (MCAD)		Variance 2019-18	
	2019	2018	MCAD	%
<u>Current</u>	7.65	7.94	-0.29	-3.7%
<u>Non-current</u>	164.33	151.00	13.33	8.8%
<u>Total</u>	171.98	158.94	13.04	8.2%
<i>Composition</i>				
Post retirement Plan (ASHI)	144.62	133.57	11.05	8.3%
End of service-annual leave	10.41	8.99	1.42	15.8%
End of service-repatriation benefits	14.81	14.22	0.59	4.1%
Other employee benefits for international experts	2.14	2.16	-0.02	-0.9%
Total	171.98	158.94		

47. The overall increase in these Liabilities, jointly with their disclosure, is explained by Management in Note 2.10, and the basis for the evaluation of Non-current liabilities is given in the Accounting Policies (Note 1, paragraphs 32-34).

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

48. As shown in the table above, the increase in these liabilities, in comparison with 2018, is totally related to the non-current liabilities, mainly to the sub-headings “After Service Health Insurance (ASHI) (11 MCAD)” and “End of service-annual leave” (1.4 MCAD). On the contrary, the current liabilities slightly decreased (-0.3 MCAD).

49. These liabilities are due to actuarial loss or gain and were calculated by an actuary chosen by Management (AON Hewitt), according to actuarial assumptions reported by Management in Note 2.10.4.

50. These assumptions consider elements like the discount rate on long-term Canadian government bonds, with the yield as of 31 December 2019 (1.85%, it was 2.25% in 2018), and the exchange rate between USD and CAD (1.00:1.309 in 2019; it was 1.00:1.365 in 2018). In compliance with IPSAS 39, a sensitivity analysis relating to the discount rate is disclosed by Management in Note 2.10.2, paragraph 97.

51. During our mandate, we have constantly monitored the problems related to the actuarial liabilities and the financial sustainability of the organization. We have also emphasized the issue with a specific paragraph in the audit opinion, as envisaged by the standards, even issuing an unmodified opinion.
52. In our first report, we have issued three recommendations, two suggestions and we have also drawn the attention of the Council on the problems related to the actuarial liabilities and their underfunding. The recommendation that we considered the most important was to be assisted by a full actuarial study *“to evaluate when the ICAO financial health might be compromised, in the long-term scenario, by the provisions of the Health Insurance scheme”* (rec. 3/2014).
53. We have acknowledged that Management was dealing with the problem and studying remedial measures; therefore we have carried out a performance audit, whose report was presented to the Council in 2016, to analyse the effectiveness of measures taken by ICAO’s Management to reduce ASHI liabilities. Based on the study by the actuary chosen by the ICAO and with the support of the analysis carried out by our actuaries, we addressed some of the points that might, in the long term, impair the effectiveness of the measures proposed to reduce ASHI liabilities, issuing three recommendations, which we consider did not affect acquired rights.
54. The recommendation n. 1 was related to the possibility of paying a premium proportional to the size of the salary or pension, instead of a premium linked to the position (Professional or General services). The recommendation n. 2 considered that a worldwide health coverage for a retiree (charged to the ICAO budget) was very expensive and not linked to service needs; so, it would have been logical for the ICAO only to guarantee coverage for the country of residence.
55. These two recommendations have not been implemented and, apparently, will never. Actually, they are considered as “closed” by Management, with the motivation that *“the two options had been met with strong opposition from the ICAO Staff Association and retirees’ representatives (CAFICS and FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it”*. However, we cannot consider the recommendations as “closed”: indeed, if the situation of the so-called “acquired benefits” remains unchanged, the only alternative measure is that Member States

will have to increase the level of assessed contributions, to allow ICAO to continue working with a sufficient amount of funds.

56. Indeed, the level of actuarial liabilities are stringent key indicators for the Council that, in the future, the ICAO budget will be affected by a significant increase of employee benefits expenditures. Furthermore, as we had already highlighted in our past reports, we note that an “expectation” is not an “acquired right” and, in our opinion, there is also a difference between “acquired rights” and “acquired benefits”: as an example, there is certainly the acquired right of having a “health scheme” to cover medical assistance; nevertheless, the level of coverage, additional to the essential, cannot be considered as an acquired right, because this kind of benefits are always subject to changes.
57. The only recommendation that was, in principle, accepted by the organization was the recommendation 3 of the special report on ASHI, related to the so called “opt-out” incentive, i.e. a sum paid one-time to the retired people as an incentive to leave the ASHI scheme. Given that, in another report we recommended (recommendation n. 7 in the report on FS 2016) that a new actuarial study were performed once “*the current measures considered by ICAO*” had been adopted, in order to evaluate if and when the actuarial liabilities could affect the ICAO ability to continue as a going concern.
58. The recommendation was agreed by SG, but, eventually, Management referred that the “opt-out” incentive “*was not accepted by the majority of ICAO’s staff and retirees*” and therefore will not be implemented.
59. It is to be considered that, except for the increase in the retirement age from 62 to 65 (effective starting 1 January 2019), no other structural measures have been adopted, at the moment, in order to reduce the underfunding of the actuarial liabilities. This is considered in our follow-up analysis carried out in Annex 1.

Negative value of the ICAO’s Net-assets is highly influenced by actuarial liabilities.

60. The following table shows the trend of non-current liabilities in the period of our mandate as External auditor at ICAO, i.e. the Financial Statements 2014-2019.

	Financial Statements (in MCAD)					
Year	2014	2015	2016	2017	2018	2019
Non-current liabilities	147.5	149.1	142.4	146.7	151.0	164.3
Net Assets	-92.3	-87.3	-67.5	-65.7	-57.8	-68.4

61. The table clearly shows, firstly, that the increase of the retirement age, which influenced the actuarial assumptions, had only a small impact and only in the short-term, as our actuaries highlighted in their recalculations (see paragraph 64 of our report on FS 2016). On the other hand, we can see that, even when the negative net assets decreased, the non-current liabilities increased.
62. In 2019, the amount for non-current liabilities (164.3 MCAD) represented 35.8% of total liabilities (459.4 MCAD) and had a strong impact on the ICAO's net asset, especially considering actuarial liabilities only in the context of the "regular programme": indeed, ICAO financial statements' amount is highly influenced by the TCB transactions.
63. Indeed, as results from note 5.2 (segment reporting), the total assets of ICAO amount to 390.9 MCAD, where 231.6 MCAD are from "Technical Co-operation Project Activities" and the Regular activities total assets are 159.6 MCAD. The total liabilities are 459.4 MCAD, where 231.6 MCAD are composed of "Technical Co-operation Project Activities" and the Regular activities total liabilities are 228 MCAD. This means that, on the ICAO FS, the TCB activities are neutral; this also means that the negative value of ICAO net assets is entirely comprised in the regular programme.
64. Last year, we recommended (recommendation n. 3/2018) that *"when considering a funding strategy for the actuarial liabilities related to ASHI, any potential measures be assessed by a new actuarial study, in order to analyse their appropriateness of having a positive impact in the ICAO regular budget in the short-, mid- and long-term scenario"*.
65. The recommendation was only partially accepted. Management's comments were that *"A new funding strategy in the future is subject to the availability of funds. Only*

if an indication of sufficient funding is available, ICAO can have any potential measures assessed by a new actuarial study”.

66. In this regard, we remind again that the Chair of the Panel of External Auditors of the United Nations, the Specialised Agencies and the International Atomic Energy Agency, summarising the works of the Panel in its meeting of 2017, wrote to the Secretary General of the United Nations: *“The Panel noted that employee benefit liabilities are having a significant impact on the net value and financial health of entities. It remains essential that the financial statements accurately and transparently disclose these Liabilities. This enables Governing Bodies to make effective decisions to enable them to continue review of the appropriateness of their Long term funding strategies, **which differ between entities**. While acknowledging the important work being undertaken by the IPSAS Task Force on the harmonisation of actuarial assumptions and the system response to revised accounting standards, the Panel **recommends that the UN entities should have a Long term funding strategy for these liabilities**”.*
67. For this reason, at the end of our mandate, we are obliged to maintain all our recommendations on the ASHI issue as “ongoing”. However, we understand that the Management acted on the basis of its competences and powers; further actions probably fall outside its mandate.
68. We also note that decisions on measures to be taken, to reduce underfunding, cannot be subject to the opposition of the staff / retirees associations: there is a clear conflict of interest, because no one would ever decide to reduce their benefits. In this sense, we consider important that ICAO Council be supported by independent experts in carrying out a thorough analysis of the most effective potential measures needed for reducing the ASHI liabilities in the medium- and long-term. Moreover, as auditors, we need to highlight the risks of maintaining the pay-as-you-go system, especially in the current situation, with a zero nominal growth budget and an ongoing pandemic.
69. With these preconditions and the curve of ASHI liabilities constantly increasing, there could be the risk of impacting the going concern ability of the Organization.

To the Council's attention (1)

70. For this reason, we endorse the recommendation of the Panel of external auditors and we draw the attention of the Council on the need to assess, with a full actuarial study, when the ICAO financial health will be affected by the ASHI liabilities, with regard to its going concern ability. According to the results of the study, we also recommend that a long-term strategy be studied, in order to mitigate this risk, even considering possible remodulations of the benefits or a different distribution of the contributions between staff and organization.

Based on the ICAO's assumptions, the value of liabilities is substantially correct

71. The choice of actuarial assumptions is the sole responsibility of Management. In relation to the audit of the Financial Statements, the External Auditor checks their plausibility and their consistency with IPSAS 39 and with previous years and validates them.
72. Our team of actuaries carried out a review of the key assumptions related to 2019, which were discussed with Management. We found that these assumptions were in line with economic trends and rates and also consistent with data available at the ICAO at the moment of our audit, and we validated them.
73. To carry out their work, our actuaries recalculated the valuations prepared by AON Hewitt related to the ASHI, Annual leave and the Repatriation Grant; they also performed an in-depth analysis of all actuarial valuations and assumptions in order to review their plausibility and the algorithms used by AON. Management and its experts provided full cooperation and assistance to our actuaries.
74. The work of our actuaries revealed that the amounts recorded in the accounts were substantially correct.

NET ASSETS

75. Net assets comprise the accumulated deficit and reserves of the Organization at year-end. In 2019, Net assets resulted in a negative value of -68.4 MCAD, with a decrease of around 10.6 MCAD (18.4%) compared to -57.8 MCAD in 2018. Please refer to Paragraph 62 for an explanation.
76. All the movements in Net assets are explained in various Statements and Notes in the Financial Operating Report, in particular:
- a) Statement II "Statement of financial performance", which shows the deficit for the period (6.0 MCAD);

- b) Statement III “Statement of changes in net assets” with the movements listed separately;
- c) Note 2.12, where Management discloses details on the composition of the reserves.

STATEMENT OF FINANCIAL PERFORMANCE 2019

77. This Statement shows the Organization’s revenue and expenses classified, disclosed and presented on a consistent basis to explain the year’s net deficit or surplus. The result for the period is a deficit of around 6 MCAD.

REVENUE

78. Total revenues amounted to 297.3 MCAD, with a decrease of 24.2 MCAD (-7.9%) as compared with 2018 (321.5 MCAD). This was composed of:

- a) “Contributions for project agreements” totalling 138.2 MCAD in 2019 and representing 46.5% of Total revenues; these contributions decreased by 18.5% from 2018 (169.4 MCAD);
- b) “Assessed contributions”, amounting to 109.8 MCAD in 2019, representing 36.9% of Total revenues, an increase of 11.6% compared to 2018 (98.4 MCAD);
- c) “Other revenue producing activities”, totalling 25.4 MCAD in 2019, and representing 8.5% of Total revenues, almost the same amount than in 2018 (25.5 MCAD);
- d) “Other voluntary contributions” totalling 16.5 MCAD in 2019 (5.6% of Total revenues), a 13.6% increase compared to 2018 (14.5 MCAD);
- e) “Administrative fee revenue” and “Other revenue” totalling jointly 7.4 MCAD in 2019 (2.5% of Total revenues), a 45.5% decrease compared to 2018 (13.6 MCAD).

79. Our audit did not reveal any major issues; a detailed breakdown has been disclosed by Management in Note 3.2.

EXPENSES

80. Expenses totalled 303.3 MCAD, with a decrease of 10.6 MCAD (3.4%) as compared with 2018 (313.9 MCAD). These were composed of:

- a) "Staff salaries and employee benefits", totalling 172.2 MCAD in 2019 representing 56.8% of Total expenses; a decrease of 0.8% from 2018 (173.6 MCAD);
- b) "Supplies, consumables and others", amounting to 86.8 MCAD in 2019 and representing 28.6% of Total expenses, decreasing 14.4% compared to 2018 (101.4 MCAD);
- c) "General operating expenses", totalling 20 MCAD in 2019 and representing 6.6% of Total expenses, increasing 11.8% compared to 2018 (17.9 MCAD);
- d) "Travel", totalling 13.9 MCAD in 2019 and representing 4.6% of Total expenses, down 11.3% compared to 2018 (15.7 MCAD);
- e) "Meetings, Training and Other expenses", totalling jointly 10.4 MCAD in 2019 (3.4% of Total expenses), a 93.7% increase compared to 2018 (5.4 MCAD).

Procurement

- 81. During our audit, we carried out, from remote, a testing of the regularity and the consistency with the rules of a limited sample of DPOs. We detected that some DPOs below 10 thousand CAD had been issued with no sufficient documentation able to justify the correctness of the procedures applied.
- 82. Furthermore, in the above-mentioned cases, we found no evidence of a competitive process (minimum 3 quotes), as requested by the ICAO Procurement Code.

Recommendation n. 3

- 83. Before approving the DPOs themselves and in order to enhance the level of internal control, we recommend, in case of DPOs below 10K CAD, through verification against a checklist, that Bureau Directors and Chiefs monitor and ascertain adherence to the DPO Guidelines by their staff and ensure that all processes are followed and appropriate documentation is presented.

Proposal and comments by the Secretary General

The recommendation is accepted. As per ICAO Procurement Code the Allotment holders have delegated Authority for procurement below \$10,000. Consequently Allotment Holder Supervisors, Chiefs, or Bureau Directors should be held accountable and provide the necessary due diligence, with reference to the available on-line training course as well as the DPO guidelines.

Long term agreements (LTAs)

84. During our testing, we detected that in one specific case related to a specific supplier, 16 DPOs (each of them below 10k) had a cumulated value of CAD 20.836,51, above the threshold required by the ICAO Procurement code, and eight of these DPOs were not covered by the related LTA with the mentioned supplier. Furthermore, in relation to some of these DPOs, we did not find any evidence that they had been awarded following a competitive process; PRO confirmed our finding.

Recommendation n. 4

85. In order to enhance the level of internal control, we recommend that PRO should strengthen the checks of DPOs that could be matched and referred with LTAs currently in place at ICAO, and to cancel the agreement followed by the DPOs not supported by sufficient documentation

Proposal and comments by the Secretary General

The recommendation is accepted subject to having the necessary additional human resources.

Recommendation n. 5

86. Furthermore, in case specific technical needs might require the issuance of a DPO and/or a competitive tender where one of the participant is a supplier which has already an active LTA with ICAO, we recommend strengthening the level of checks not only during the award process but also on the performance of the supplier.

Proposal and comments by the Secretary General

The recommendation is accepted. PRO is developing a supplier performance evaluation that shall also be applied to LTAs.

87. There could be the risk that a participant, having an active LTA with ICAO, might have advantages with respect to other suppliers, and therefore the risk of not having a fair competition for that specific DPO would increase. In this regard, we have discussed with Management some alternatives procedures that might lower the above-mentioned risks.

Recommendation n. 6

88. In order to strengthen the fairness of the competition, we recommend, in the event that the DPO is less than 10K CAD and one or more participants have an active LTA with ICAO, if the good or service being requested is outside the LTA provisions, to prepare a competitive tender.

Proposal and comments by the Secretary General

The recommendation is accepted. LTAs are only dedicated for a specific commodity or service. LTA guidelines will be issued in 1st Quarter 2021.

Segment reporting

89. A report by segments is provided in Note 5 of the 2019 Financial Statements. The aim of this segmentation is to disclose the financial position and financial performance and assign expenses directly to the related segments. The methodology also provides for a distribution of expenses and revenues, primarily by segments, known as the Regular Activities and Technical Co-operation Project.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2019

90. Statement III, "Statement of changes in net assets", shows movements during the year, ending in a negative balance of -68.4 MCAD as of 31 December 2019. The worsening in the negative net assets is mainly due to the variation in actuarial loss and to the deficit of the year.

91. Our audit conclusions on the negative net assets are noted in the paragraphs related to "Employee Benefits".

STATEMENT OF CASH FLOW

92. The Statement of cash flow identifies the sources of cash inflows, the items on which cash was spent during the reporting period, and the cash balance as at the reporting date.

93. In 2019, the ICAO reported a net cash flows of -58.5 MCAD from operating activities, which was negative, lowering the figure shown in 2018 (-37.4 MCAD). The value is due mainly to the increase in "contribution receivable" (see above,

paragraph 31, point a) and to the decrease in advance receipts; the breakdown in note 2.8, showed the decrease in “voluntary contributions for TC Projects”: these represent receipts of contributions less related expenses at year-end. Please refer also to paragraph 44, point a), above.

94. Net cash flows from investment activities (3.4 MCAD) showed a negative variation as compared to 2018, due to a decrease in Interest income and an increase in Acquisition of property, plant and equipment and Intangibles. The net result in cash and cash equivalents showed a decrease of 56 MCAD in 2019.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

95. Statement V, “Comparison of budget and actual amounts for the year ended 31 December 2019”, is provided in accordance with IPSAS 24, which requires that this comparison, arising from execution of the budget itself, should be included in the Financial Statements. This Standard also envisages the disclosure of the reasons for the material differences between the budget and actual amounts. Further details concerning Statement V are provided in Note 4.
96. As stated above (see paragraph 1, second to last bullet point) implementing our recommendation n. 15 on FS 2016, the Financial Statements comprise the Statement V-A, which also shows the Funds that are reported under “Regular activities” and budgets that are publicly available (AOSC Fund).

FOLLOW-UP TO PREVIOUS RECOMMENDATIONS AND SUGGESTIONS

97. As usual, our long form report ends with the follow-up tables (Annexes 1 and 2) that resume the status of implementation of the recommendations and suggestions issued in our previous reports, not only in the financial reports, but also in the special reports.
98. This year, as a final summary of our past solicitations to the Council on topics that we have deemed of particular relevance, we have also added an Annex 3, listing all of our Council’s calls to attention in our past reports.
99. Being this the last financial audit report of our Audit Mandate, all recommendations that we have assessed still as “ongoing” will be followed up by the next External Auditor, that will be duly informed about them, according to the Protocol for the hand-over established by the Panel of External Auditors of the United Nations, the Specialized Agencies and the IAEA.

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

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec 1 audit report on ethics framework	Should the Council take the decision to outsource the investigation function, we express the view that a future decision on a new model of Ethics framework should be backed up by a thorough assessment (such as a cost-benefit analysis) of the effectiveness of the current positions, including the membership of IC. Therefore we recommend that Management should urgently prepare internally such assessment in view of a redesigned Ethical framework, which be effective in the event of outsourcing, or, if it does not have internal capacity, that Management should request an offer or assign the cost-benefit analysis to an independent and skilled UN office, with solid experience in Ethics matters.	The Secretary General agrees in principle with the proposed thorough assessment (cost benefit analysis) would assist the Council in taking an informed decision as to the outsourcing of the investigation function or part thereof. The United Nations itself and the majority of Specialized Agencies surveyed have established their own internal structures to deal with investigations and do not use an outsourced model. ICAO should similarly explore the feasibility of having structures in place that are required under the Ethics Framework, and evaluate the cost effectiveness and efficiency to the Organization prior to any final decision. ICAO has received a proposal from the OIOS which is currently under consideration. A number of investigations are also being carried out externally by OIOS. However, no clear information about the cost of such investigations or any future investigations that may be assigned, as well as the timelines for completion of investigations has been made available to ICAO. In order to preserve the objectivity of such an assessment, the Secretariat would prefer to engage an independent entity either within or outside the UN system that is not currently involved in the provision of investigation services to ICAO to undertake the said assessment.	Update as of 31 January 2020: Pending. There is no decision with respect to outsourcing of the investigation function under the current Ethics Framework. Once a decision is made, the proposed thorough assessment of the effectiveness of the current positions, including the membership of the Investigations Committee, will be carried out. Update as of 14 October 2020 The thorough assessment (cost-benefit analysis) proposed by the External Auditors was superseded by the Council's decision (C-DEC 218/7, para. 7 d) refers) to establish a group from among Council Members, including some with relevant UN experience, to work on consolidating all of the various elements contained in the C-WP/14977 (Report of the External Auditor on Audit Activities – Ethics Framework at ICAO), as well as the recommendations related to the ICAO Framework on Ethics contained in C-WP/14946 [Annual Report of the Evaluation and Audit Advisory Committee (EAAC)] and in the letter dated 19 November 2019 from the Chairperson of the EAAC to the President of the Council and Council Representatives, which were considered pertinent to the Secretary General's proposal for the revision of the Ethics Framework as contained in C-WP/14974 Revision No. 1. The Small Group's report, which was endorsed by the HRC on 10 March 2020, recommended several reforms to the ICAO Framework on Ethics which were ultimately approved by the Council, which also adopted a consolidated text of the revised ICAO	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			Service Code at its seventh meeting during the 220th Session on 17 June 2020 (C-DEC 220/1 and C-DEC 220/7 refer).	
Rec 2 audit report on ethics framework	Furthermore, in order to assist the Council in taking an effective decision on outsourcing investigation functions and redesigning the Ethics Framework, <u>we also recommend</u> that the ICAO Secretariat, mainly through LEB, provide urgent advice to the Council as to the areas on which the Ethics framework should be strengthened. With regard in particular to the Service code, this might concern: (i) how to deal with potential conflicts between the investigator and the investigated person, (ii) operating procedures for the <i>prima facie</i> assessment and the investigation, (iii) the timing for taking unbiased decisions when a formal decision is recommended by the independent investigator at the end of its investigation (preparing a list of sanctions, whose severity be proportional to the misconducts, in order to increase the objectivity), (iv) the impact of outsourcing on Management, (v) how the rules could be made applicable to all ICAO officials, including the President of the Council, (vi) clarification on which kind of complaint should be outsourced, who should be the recipient for whistle-blowing, etc.	Appropriate due process provisions and associated timelines for handling unsatisfactory conduct and investigations will be included in the Staff Rules and Personnel Instructions, following the Council's decision on the revised Service Code. Such provisions are partially addressed in the existing Staff Rules (110.1) and Personnel Instructions (PI/1.6), although they could be updated. Note, however, that within the list of disciplinary and administrative or managerial measures set out in the relevant rules, there are no predefined sanctions for misconduct in the UN. The relevant authorities have discretion to impose disciplinary and/or administrative and managerial measures that are proportionate to the gravity of the misconduct at hand. With regard to the scope of the Ethics rules, the Service Code applies to Staff Members appointed by the Secretary General. The Council is best placed to decide how a code or charter of conduct could be established and administered for Council Representatives and other categories of officials who are not governed by the ICAO Service Code.	Update as of 31 January 2020: Areas in which the Ethics Framework could be strengthened were identified in the proposed revisions that were presented to the Council in C-WP/14974 Rev. 1 during the 218th Session. The Council deferred consideration of the said paper to the 219th Session. Update as of 14 October 2020 The recommendation of the External Auditors was superseded by the decision of the Council to establish a Small Group as indicated above. This notwithstanding, the Secretariat provided immense support to the Small Group and, in particular, drafted revisions to the Service Code to reflect the policy directives issued by the Small Group and endorsed by the HRC and the Council. Following the approval of the revised Service Code by the Council on 17 June 2020, the Secretariat is in the process of aligning the relevant Staff Rules and Personnel Instructions with the provisions of the revised ICAO Framework on Ethics. The Small Group also proposed separate rules that would apply to the President of the Council and the Secretary General in the event that misconduct or retaliation cases are brought against them. The proposed rules, which are still under consideration by the Council, are intended to be published as Appendices G and H to the Rules of Procedure for the Council (Doc. 7559).	Ongoing

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
Rec 3 audit report on ethics framework	In the event of a decision to outsource part of the current ICAO Framework on Ethics (see paragraph 0), in addition to Errore. L'origine riferimento non è stata trovata. , <u>we recommend</u> that Management should also submit to the Council a specific draft proposal on the “oversight function”, which should include the key indicators appropriate for the assessment.	Accepted. The Secretariat will submit a proposal to the Council for consideration.	Update as of 31 January 2020: Pending. There is no decision with respect to outsourcing of part of the current Ethics Framework. When a decision has been made, the Secretariat will submit the referenced draft proposal. Update as of 14 October 2020: The recommendation of the External Auditor was superseded by the approval of the Council of the revised text of The ICAO Service Code (C-DEC 220/7 refers).	Closed
Rec 4 audit report on ethics framework	Furthermore, <u>we recommend</u> that, prior to the outsourcing decision, Management should submit to the Council the draft “Memorandum of Understanding” that ICAO would apply, including the obligation of the external service provider to comply with the ICAO Service Code and Rules and legal framework, and to be monitored by the ICAO independent functions with oversight capacity. Oversight bodies and committees should also be involved in providing advice to the Council.	Agree in principle. The Council must first identify the specific functions to be outsourced and the Council must also decide on the outsourcing model. The modalities of implementing any such decision would amount to a business/operational decision that should not be enacted as part of the Service Code. Should Council decide on outsourcing, management will submit the relevant operational options for consideration through the appropriate channels. All agreements and arrangements between ICAO and external entities are reviewed under the Policy on Interactions with External Entities (CCEP framework). Should it become necessary to procure the outsourced functions, this would be done in accordance with the Procurement Code.	Update as of 31 January 2020: Pending. No decision has been made with respect to outsourcing of part of the current Ethics Framework. This notwithstanding, the Organization has continued discussions with OIOS for the establishment of a formal arrangement under which OIOS will investigate cases for and on behalf of ICAO. Any such agreement will be submitted for internal approval in accordance with the applicable rules, policies and procedures. Update as of 14 October 2020 In order to establish MoUs for the outsourcing of certain tasks and activities required for the implementation of the revised ICAO Framework on Ethics, the Secretariat conducted negotiations with United Nations Office of Internal Oversight Services (OIOS) and United Nations Ethics Office (UNEO). In this context, the Secretariat reviewed two separate proposed draft MoUs and submitted its comments on them to OIOS and UNEO, for consideration. The Secretariat’s comments were aligned with the Council decisions, and the MOUs will be consulted with the Council Small Group upon completion of the review	Partially implemented

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			by the Secretariat.	
Rec 5 audit report on ethics framework	Based on the considerations above, in particular those to which we have drawn the Council's attention in paragraph 0, although we understand that the decision to appoint an internal LEB officer as acting EO, until the vacancy is filled, was taken because of unforeseeable circumstances and timing constraints, we observed that, due to the particular role of the EO in the Investigation Committee, this could lead to situations of potential conflicts of interests in managing both the <i>prima facie</i> assessment and the decision within the Investigation Committee as to whether to start an investigation or not. Therefore, in order to avoid such situations, we <u>recommend</u> that the Secretary General should reconsider the decision to have an internal LEB officer acting as EO.	While the Secretary General agrees with the proposition to reconsider the composition of the Investigations Committee as a whole, the recommendation to reconsider the decision to have an internal LEB officer acting as the Ethics Officer is not accepted. The ethics function is critical for maintaining high standards of integrity, respect and accountability within the Organization. The Secretary General's decision to appoint an acting Ethics Officer was intended to avoid disruption and ensure continuity in the delivery of the ethics function in the best interests of the Organization. It is within the authority of the Secretary General to make interim arrangements in cases of unexpected vacancies. The Secretary General applied all required due diligence including obtaining the written approval of the President of the Council and notification to all Council members of the interim arrangements to cover the ethics function. There are adequate safeguards within the Terms of Reference of the Investigations Committee and the ICAO Service Code (including recusal in the event of a conflict of interest) to ensure the integrity of the processes. These safeguards have been effective as established by the External Auditors in paragraph 75 above. Currently, in accordance with the provisions of the ICAO Service Code, the Secretary General has designated two professional-level staff members from LEB to serve as member/alternate on the Investigations Committee. These two LEB staff members have ongoing access to confidential ethics files in the same manner as the acting Ethics Officer does. They also participate fully in the deliberations and decision-making processes of the Committee. Although firewalled from LEB when acting as members of the Investigations Committee,	Update as of 31 January 2020: This recommendation is not accepted. Update as of 14 October 2020 The recommendation of the External Auditors was superseded by the recruitment of an external Ethics Officer who assumed his duties in September 2020.	Closed

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		these LEB officers have been performing their duties as legal officers and as member/alternate on the Investigations Committee concurrently , and they report directly to the Director of LEB. The External Auditors do not consider that the Secretary General's designation of the LEB officers as member/alternate on the Investigations Committee presents any risk of actual or perceived conflicts of interest, yet they express concern and recommend that the Secretary General should reconsider the appointment of the acting Ethics Officer, who during the period of the acting appointment, is completely removed and functionally independent from LEB, and reports directly to the Secretary General. This recommendation appears to be subjective and without factual basis. The proposition in paragraph 74 that an adequate "cooling off" period should ensue before the acting Ethics Officer returns to his functions as a legal officer in LEB is also without factual or legal basis.		
Rec 6 audit report on ethics framework	The current whistle-blower policy might not be effective in the present situation in which an internal staff member is performing albeit <i>pro-tempore</i> , the EO function. In order to reduce the risk of ineffective whistle-blower policy, <u>we recommend</u> that, pending a Council's decision on outsourcing and its implementing acts (see, as a reference, paragraph 0), and in view of the time that will be needed to realign the Ethics framework to this future decision Management might outsource the Ethics Officer function to a person or a UN office that can be perceived as <i>super partes</i> (see also Errore. L'origine riferimento non è stata trovata.).	While the Secretary General does not object to the suggestion in paragraph 44, an effective interim arrangement was necessary to avoid disruption and ensure continuity in the delivery of the ethics function following the unforeseen separation of the former Ethics Officer. The recommendation implies that the Organization should outsource the ethics function permanently rather than engage an Ethics Officer because his or her status as a staff member will reduce the effectiveness of the whistle-blower policy. The recommendation is not based on facts. The Ethics Offices of other UN common system organizations do not handle allegations of misconduct except retaliation. The recommendation that an Ethics Officer should be engaged from another Agency in order to be perceived as <i>super partes</i> is unacceptable since the functions and duties of the ICAO Ethics	Update as of 31 January 2020: (This should be directed to the Office of the Secretary General for an update. The Ethics Officer has no mandate to outsource part of the functions of the post to an outside entity.) Update as of 14 October 2020 The recommendation of the External Auditors was superseded by the recruitment of an external Ethics Officer who assumed his duties in September 2020.	Closed

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		Officers are remarkably broader and different from the functions and duties typically performed by Ethics Officers in the UN and other Specialized Agencies. In any event, it is useful to note that Ethics Officer post in the UN and in the majority of the other Specialized Agencies surveyed is not subject to a non-renewable one-term limit as in ICAO.		
Rec 7 audit report on ethics framework	Considering that in the UN system there is no effective and clear guidance on how to manage the <i>prima facie</i> assessment, <u>we recommend</u> that Management should urgently develop guidelines, with the help of an independent external advisor, in order to align them to the ICAO Service Code; in particular, these guidelines should define (i) <i>who</i> will be responsible for carrying out the <i>prima facie</i> assessment (ii) <i>how</i> the principles of due process should be followed (iii) the timing (iv) the level of confidentiality needed (v) the scope (vi) which body/office should independently review compliance with due process principles, and (vii) what procedure should be followed by Management at the completion of the assessment, to establish <i>how</i> and <i>when</i> to start an investigation, should the need arise.	Accepted. This will be implemented as soon as the Council approves proposed changes to the Ethics Framework currently pending before the Council. However, it is to be noted that this recommendation may become redundant should the handling of misconduct under the Ethics Framework be outsourced.	Update as of 31 January 2020: Pending. There is no decision with respect to the proposed revisions to the current Ethics Framework. Update as of 14 October 2020 The revised Ethics Framework approved by the Council provides for direct reporting of all misconduct cases to the investigative entity outside of ICAO (C-DEC 220/1 and C-DEC 220/7 refer). As such the question of developing guidelines for <i>prima facie</i> assessment of misconduct cases is no longer relevant as this would fall under the responsibility of the investigative entity. With respect to claims for protection against retaliation, the revised Ethics Framework provides that the ICAO Ethics Officer is responsible for receiving and conducting preliminary assessments of such claims and, in case of a no <i>prima facie</i> determination, the complainant may request to have the matter reviewed further by an external ethics entity. Relevant provisions would be included in the amended Personnel Instruction PI/1.6 (Procedures in relation to the ICAO Framework on Ethics), which, as noted above, is presently under development.	Partially implemented
Rec 8 audit report on ethics framework	<u>We recommend</u> that Management should urgently apply sanctions to any pending case of staff found guilty as a result of an investigation or of a <i>prima facie</i> assessment, where an investigation is not needed.	While it is accepted that disciplinary measures must be applied in a timely manner, the Ethics Framework does not provide for the immediate application of sanctions on the basis of a preliminary assessment. It	Update as of 31 January 2020: All matters in respect of which preliminary assessments or investigations have been completed are being processed in accordance with the	Ongoing

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		is obligatory for the Organization to respect due process rights of staff members in the application of any disciplinary measures.	applicable regulations, rules and procedures.	
Rec 9 audit report on ethics framework	We recommend that Management should urgently apply administrative leave to staff under investigation for substantiated severe allegations in order to minimize the reputational and fraud risks.	Not accepted. While an investigation is ongoing, allegations are not substantiated. Therefore administrative leave may not be applied for "substantiated severe allegations" as recommended. The Service Code provides that if the Secretary General considers that there is prima facie evidence of serious misconduct by a staff member, and that the staff member's continuance in service while an enquiry is in progress and pending a decision by the Secretary General would prejudice the interests of the Organization, the Secretary General may place the staff member on administrative leave.	Update as of 31 January 2020: This recommendation is not accepted.	Not implemented
Rec. 1/2018	Considering that the amount recorded in the Financial Statements under "Cash and cash equivalents", totalling 402.4 MCAD at 31.12.2018 and representing more than 90% of the "Total Assets", is mainly composed of the balance of bank accounts and that, this year too, we did not receive a large number of confirmations from field imprest accounts and for some of the Regional Offices accounts. Due to the relevance of bank confirmation for the auditor's assurance, we renew our recommendation n. 1/2016 and therefore <u>we recommend</u> that Management should urgently: i) rationalise the current list of bank accounts, limiting considerably their number, and ii) identify a process that will induce the banks to send confirmation letters to the Auditor when asked.	The recommendation is accepted. Five additional bank accounts are scheduled to be closed in 2019. We will continue to investigate the possibility of centralizing some field office payments to HQ which will reduce the need for those imprest accounts. We will continue our efforts to increase the return rate of confirmation letters and will look into related best practices from the UN system.	Update as of 31 January 2020: Five imprest, five petty cash, and three deposit accounts were closed in 2019. Additional accounts are scheduled to be closed in 2020 provided alternative methods of payments are satisfactory.	Ongoing
Rec. 2/2018	In order to enhance the level of controls over accounts managed overseas by Regional Offices and Project Managers, <u>we recommend</u> that Management set-up measures that could lead to a direct control over these overseas accounts operated directly by HQ, for the transactions above a given threshold.	The recommendation is accepted. We are working with our regional offices to introduce electronic banking which will allow the treasury office real-time access to the accounts. We will continue to centralize field office payments as much as feasible.	Update as of 31 January 2020: In process. A survey was sent to all Regional offices and the responses are being analysed for action in 2020.	Ongoing

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Rec. 3/2018	<u>We recommend</u> that, when considering a funding strategy for the actuarial liabilities related to ASHI, any potential measures be assessed by a new actuarial study, in order to analyse their appropriateness of having a positive impact in the ICAO regular budget in the short-, mid- and long-term scenario.	The recommendation is partially accepted. A new funding strategy in the future is subject to the availability of funds. Only if an indication of sufficient funding is available, ICAO can have any potential measures assessed by a new actuarial study.	Update as of 31 January 2020: Position not changed.	Ongoing
Rec. 4/2018	During our audit we have notice that the ICAO Financial Regulations (Sixteenth Edition — 2017) do not make any reference to procurement rules and principles, therefore <u>we recommend</u> amending them in order to comply with the United Nations best practices	The recommendation is partially accepted. The existing ICAO Procurement Code already provides details on general procurement principles and guidelines to follow and the Secretariat considers it would be a duplication to include the same information in the ICAO Financial Regulations. Different UN agencies have different practices on whether to include procurement related information in the Financial Rules and Regulations and there is no consensus on which practice is the best. The Secretariat has planned to do a comprehensive review of the Financial Regulations in the next triennium. As part of this review, the Secretariat will evaluate the need and best way to reflect references to procurement on the FRR, taking into account UN practices.	Update as of 31 January 2020: Position not changed. The comprehensive review of the Financial Regulation is targeted in 2020-2022 triennium.	Ongoing
Rec. 5/2018	In order to avoid the risk that situations of monopoly could occur and competitive procedures are bypassed, <u>we recommend</u> , when sole source requests are submitted by the requisitioner to Procurement, that the exception based on the need of standardization or compatibility be verified, in order to confirm that it is appropriately justified, when standardization is evoked, to indicate that only one supplier or vendor is obtainable. Under this exception to the same supplier, Procurement should also consider equipment life cycle.	The recommendation is accepted.	Update as of 31 January 2020: This recommendation is being implemented consistently each time that a sole source is requested.	Closed

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Rec 1 audit report on procurement	In order to conform to the guiding principles of procurement (best value for money, accountability, integrity, transparency, fairness, effective competition, best interest of the Organizations) and reduce the usual ethical risks in procurement (conflict of interest, fraud, corruption, coercion and collusion), <u>we recommend</u> reviewing the ICAO Procurement Code and other policies in order to relocate the Procurement Section to an independent position in the ICAO structure, like, for example, the Bureau of Administration and Services (ADB) or the Office of the Secretary General (OSG), and serve all ICAO equally, without affecting the efficiency and the effectiveness of the procurement activity for the Technical Cooperation projects.	Agreed. The implementation of this recommendation will take effect after a full and holistic analysis of the procurement function and structure as well as the consequences of the proposed relocation are performed. Such relocation is subject to demonstrated improved efficiencies and effectiveness of the service provided to various stakeholders, both internal and external. The Procurement Code will also be reviewed and updated to reflect these changes. Timeline: End June 2020	Update as of 31 January 2020: In accordance with C-DEC 217/14, the Council did not approve the transfer of the Procurement Section to the Regular Programme structure, as proposed by the Secretariat in C-WP/14881 in response to the recommendation of the External Auditor.	Ongoing. This statement does not correspond to what Council decided, considering also that the report on Procurement structure has not yet been examined by the Council
Rec 2 audit report on procurement	In any case, <u>we recommend</u> that the technical unit within PRO be segregated and be independent from all sections in TCB, including the requisitioning entity, and be staffed with the appropriate personnel to carry out technical oversight. <u>We also recommend</u> staffing the Procurement unit with aviation technical personnel, able to review internally the requirements received from FOS.	Agreed to the Recommendation regarding the segregation and independency of the technical function. It should be noted that as part of the efforts to instil a new business model within TCB, TCB management has already considered to segregate the Technical Unit from the Procurement Section and will continue to develop a concrete plan in line with this recommendation with due regard to true segregation of duties, avoidance of conflict of interest and increased efficiency of the process. Timeline: End June 2020	Update as of 31 January 2020: In accordance with Staff Notice 5782 issued on 26 November 2019, the Secretary General approved the segregation of the Technical Unit from the Procurement Section in accordance with the External Audit recommendation. The corresponding job description for the Head of this Unit was developed and a request for issuance of a new post/vacancy announcement submitted. It is expected that the Unit will be fully established by the end of June 2020.	Ongoing
Rec 3 audit report on procurement	Furthermore, <u>we recommend</u> that: a) as already happens for HQ/RO, in case of procurement for TCB, the procurement section, during the requisition phase, be involved only in: 1) providing information (to the requisitioner) on previous, current and upcoming procurement activities for similar products or services being requested; 2) reviewing the purchase requisition for completeness and to ensure that requirements have not been restricted to or biased to one specific supplier; 3) assisting in market studies to	Agreed. However, it should be noted that the actions to be taken to implement this recommendation should not impede the efficiency of the procurement process. The Procurement Code and policies will be reviewed to reflect this recommendation. Timeline: End June 2020	Update as of 31 January 2020: The review of the Procurement Code to incorporate this and other recommendations has been already included in TCB's Operating Plan and is scheduled to be completed by Q4, 2020. Revised timeline: end December 2020.	Ongoing

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	identify sources of supplies, pricing, availability information and the type of competitive process; 4) providing advice on the best method to obtain goods and services in a timely manner, at the best possible price with due regard to existing procurement rules and regulations 5) developing Long Term Agreements so as to be more efficient; b) the procurement section start the acquisition process only when a requisition: 1) is duly accompanied by Technical Specification or Terms of Reference have been completed and approved by the Requisitioner and in accordance with procurement guidelines; 2) a budget has been assigned and confirmed; 3) a valid and approved sole source is present (if applicable). The Procurement Code and other policies should be reviewed to account for this recommendation.			
Rec 4 audit report on procurement	64. In view of the above, we recommend that the implementation stage, following contract awarding, be transferred to the requisitioner who has conceived the project on behalf of the State, being the accountable party requesting the procurement. 65. As part of its post-award, PRO should carry out a contract performance and control review, overseeing cost control and schedule control and not the technical Implementation of the procurement. 66. The Procurement Code and other policies should be reviewed to account for this recommendation.	Partially agreed: Agreed to the Recommendations in paragraphs 64 and 66. The Procurement Code and policies will be reviewed to reflect the implementation of this recommendation. The Recommendation in paragraph 65 is not accepted. It should be noted that as part of the efforts to instil a new business model within TCB, TCB management has already considered to segregate the Post Award Project Implementation and will continue to develop a concrete plan in line with this recommendation with due regard to segregation of duties, avoidance of conflict of interest and increased efficiency of the process. Timeline: End June 2020	Update as of 31 January 2020: In accordance with C-DEC 217/14, the Council did not approve the Secretariat's proposal in C-WP/14881, in response to the recommendation of the External Auditor, regarding the transfer of the Procurement Section (administrative activities) to the Regular Programme structure and the transfer of procurement implementation activities to the Field Operations Section (FOS) in TCB. As part of the new business model and strategy endorsed by the Council on the same occasion, the post award implementation remains in the Procurement Section which will continue to provide contract oversight during implementation, in line with the One-Single Process approach under implementation.	Ongoing. This statement does not correspond to what Council decided, considering also that the report on Procurement structure has not yet been examined by the Council
Rec 5 audit report on procurement	We therefore <u>recommend</u> implementing a two-envelope system for Request of Proposal.	Agreed. An in-depth evaluation and possible modification of the current Agresso/Alito ERP will have to be done to accept a web based two envelope system through the procurement portal.	Update as of 31 January 2020: Where possible, the two-envelope system is being implemented manually at the present time based on a risk analysis while a new replacement for the current	Ongoing

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		Timeline: End December 2021	Web Portal is in place. The corresponding tender is being launched in February 2020 that will be the baseline for a two envelope system as the current system (Alito) does not facilitate a two envelope process. The Procurement Code as well as the evaluation criteria will be revised to account for a two envelope system. Expected Completion Q4, 2020.	
Rec 6 audit report on procurement	Therefore, for the sake of transparency and fairness, <u>we recommend</u> setting-up a procurement challenge/bid protest mechanism, where the complaint is reviewed by an independent entity. This will also lower the risk of conflict of interest/corruption and the reputational risk for ICAO. The Procurement Code and other policies should be reviewed to account for this recommendation.	Agreed. It should be noted that Procurement has already advanced a benchmark with other UN Agencies on implementing a vendor challenge process and will work with ICAO's Legal Bureau to update the Procurement Code and policies and develop a formal process. Timeline: End December 2020	Update as of 31 January 2020: The development of the bid protest mechanism is ongoing and is expected to be implemented by Q4, 2020.	Ongoing
Rec. 5/2017	Having observed that ICT Section is not regularly consulted in case of procurements related to information and communication technology, <u>we recommend</u> that ICAO should adopt a procedure, which envisages to consult ICT in case of this kind of procurement.	The Recommendation is accepted. ADB should draft and propose to the OSG a procedure for all allotment holder to collaborate with ICT before proceeding with a procurement related to ICT.	Update as of 31 January 2019: Procurement section is recruiting an IT expert to help procurement in processing ICT related items. Update as of 31 January 2020: A consultant was recruited by the Procurement Section to assist in procurement issues for ETS	Closed
Rec. 8/2017	In the event that a GS staff requests to be paid for the overtime work, in order to avoid the risk of potential dispute because of the overtime authorized and not paid for time worked, due to the lack of budgeted resources, <u>we recommend</u> that Management consider reviewing the staff rules 105.3 with specific reference to overtime caps, and compensation for overtime work done either in the form of payment or compensatory leave.	The Recommendation is accepted. Management is committed to review Staff Rule 105.3.	Update as of 31 January 2019: ADB/POD is reviewing the patterns on overtime with a view to proposing a revision to the current staff rule and related procedures. As this will entail an in-depth study to determine patterns and the need to potential introduce new working arrangements such as shift work, and not only adjustments to the current conditions on overtime, it is requested that the deadline for this work be extended from 31 March 2019 to 30 June 2019. Update as of 31 January 2020: In order to finalize a review of overtime, ADB/POD first needed to evaluate ICAO's standard working arrangements, as this will impact accrual of overtime.	Ongoing

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			A full study has been carried out proposing modifications to existing working hours and official holidays, as well as to introduce flexible working arrangements such as compressed work weeks, staggered hours, flexi-time etc. This proposal has gone through a consultation process with relevant stakeholders and a draft policy has been developed based on input received during the consultation process. Once this policy has been finalized and approved, it will be possible to finalize the revision to the staff rule on overtime and associated personnel instructions. As an interim measure the overall cap of 12 hours of paid overtime a month has been increased to 20 hours per month up to a maximum of 100 hours per year as of 1 January 2020. Update as of 13 October 2020 Draft Staff Rule 105.3 is under consultative process. Proposed changes to the Staff Rule include provisions in line with the interim measures in force since 1 January 2020 concerning overtime caps.	
Rec. 2 audit report on external parties' agreements	In the consideration of Recommendation n. 5 of the EAO Evaluation Report EVA/2015/1 we acknowledge and welcome the initiative and commitment of the SPCP Office to prepare in the coming months a Partnership Framework for procedures that would extend beyond partnerships with UN entities. <u>We recommend</u> that Management ensure a holistic approach in the drafting of a meaningful procedure to consider interactions with external parties, also supporting the goal for a beneficial engagement with industry stakeholders on the basis of a framework that avoids potential conflicts of interests and enhances transparency and managerial accountability, establishing, for instance, <i>who</i> , independently from the bureau/office that requests an agreement (the initiator), could monitor and assess the	Recommendation <u>partially</u> accepted with the following comments. Further to the comments under Recommendation No. 1, we consider that inter-Bureau coordination that takes place prior to final submission to the CCEP (a procedure established under paragraph 4.2 of the Policy) provides the necessary assurances that all proposals are duly coordinated with other Bureaus/Offices concerned. Many agreements/partnerships involve multiple Strategic Objectives, and horizontal coordination within the Secretariat ensures that non-initiating Bureaus/Offices have the opportunity to comment on the appropriateness of the proposals. Given the large volume of agreements endorsed by the CCEP to date (over 200 and not one has been	Update as of 31 January 2019: A draft partnership framework has been prepared with the goal of ensuring a holistic approach to interactions with external parties in a manner that enhances transparency and managerial accountability and clarifies the controls in place for assessing the appropriateness of agreements when processed for approval. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office. Update as of 31 January 2020: ICAO developed and finalized the Partnership Framework Guidance Material. Throughout this process, all Bureaus and Offices, as well as the CCEP were consulted extensively. The feedback received was incorporated accordingly.	Partially Implemented. Due to the SARS pandemic, EA was not able to test the effectiveness of this new procedure put in place by Management, with particular regard to conflict of interest's avoidance

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	appropriateness of the agreement itself.	rejected) indicates that the inter-Bureau review procedure referred to above has been effective, successful and has provided an adequate level of assurances to the Committee when it reviews proposals. While we agree in principle of the benefits of independent oversight on the appropriateness of the agreement when processed for approval, we also believe this should not be carried out at multi-levels thereby creating inefficiencies in processes and procedures. If the recommendation is for this monitoring function is to be carried out at the Secretariat level, there should be also be recommendations on how to avoid duplication of effort when a similar exercise is being carried out by the CCEP. In terms of framework of partnerships with non-UN entities, we also wish to highlight other initiatives referred to below. Recognizing the need to ensure beneficial engagement with industry stakeholders, in 2013, the Secretary General established the Industry High Level Group (IHLG), bringing together the heads of four industry organizations — ACI, CANSO, IATA and ICCAIA — as an informal group which considers international civil aviation matters that can be better addressed in a collaborative arrangement between States and the industry. The Secretariat further encourages and facilitates the participation of key aviation industry stakeholders in multiple initiatives, forums and meetings. To this end, the Secretariat agrees that there should be meaningful procedures in place to support the goal of beneficial engagement with industry stakeholders in a manner that avoids any potential conflicts of interests and enhances transparency and managerial accountability.	The comprehensive Guidance Material ensures a holistic approach to interactions with external parties, in a manner that enhances transparency and managerial accountability. The Guidance Material supports the goal of beneficial engagement with industry stakeholders while avoiding potential conflicts of interest.	

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Rec. 3 audit report on external parties' agreements	The partnership framework to be developed should adequately account for the issue of "Renewals/extensions of expiring agreements" and "Amendment to existing agreements", particularly in the case where the original agreement (MoUs and similar arrangements) were not previously and effectively monitored within the Secretariat. We recommend Management to consider including, in the development of its partnership framework, sufficient procedures to address the following: a) The need for the CCEP to review and approve agreements; b) A mechanism, which may include documented processes and procedures, involving both HQ and, as applicable, Regional Offices, to provide reasonable assurances that risks (technical, financial, reputational, legal, etc.) associated with interactions with external parties have been internally assessed and <i>independently</i> monitored; c) Detailed procedures in place that provide adequate clarity on who and how should independently monitor and assess any agreement before being signed by the Secretary General or by the President of the Council; d) The possibility, for all Council members, of having access and visibility to the repository of agreements, including the supporting documentation; e) Procedures for promoting transparency, staff accountability and good governance by providing for an enhanced mechanism of declarations/attestations as regards the absence of conflicts of interests; f) Any information on: 1) if ICAO had received transparently material or immaterial benefits from the Agreement itself. This in order also to understand if there is any	<i>Recommendation <u>partially</u> accepted with the following comments.</i> The Secretariat considers that a large majority of the recommendations are already addressed, either in specific paragraphs of the Policy on Interactions with External Parties or via general instructions to all Bureaus/Offices. These include: a) paragraph 4.2 d) and Appendix A of the Policy sufficiently address the issue of renewals/amendments to existing agreements whereby only under certain conditions, as verified independently by LEB, those agreements could be exempted from additional CCEP review; b) instructions sent to all Bureaus and Offices of the importance of ensuring all proposals to the CCEP are received by the Committee 10 days before such agreement is to be signed; c) paragraph 4.2 a) which requires inter-Bureau coordination considered as an internal mechanism which could provide additional assurances that necessary consultations have taken place to address different risks (technical, financial, reputational, legal, etc.); d) lessons learned and experience gained from the implementation of the Policy since early 2015 clearly indicate that an overwhelming majority of agreements are administrative in nature, with no agreement rejected and/or considered inappropriate prior to their execution. Furthermore, the Policy is clear on what types of partnerships are exempted from CCEP review; e) an online repository providing the status of agreements which is already available on the ICAO <i>intranet</i> and is maintained by LEB; and f) good governance and abiding by the Principles of Ethics and the ICAO Service Code is a principle enshrined in the Policy (paragraph 4.1 c refers).	Update as of 31 January 2019: A draft partnership framework has been prepared which addresses all recommendations, in combination with the updated General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MOUs) and Similar Arrangements</i> prepared by LEB. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office. No further action is required as this is ongoing. LEB continues to review Proposals before CCEP and supports CCEP by providing Legal advice. Update as of 31 January 2020: ICAO Partnership Framework Guidance Material is now developed and finalized. It has been informed by the comments received from the Secretary General on the recommendations raised by the Corte dei conti. Together with the ICAO Policy on Interactions with External Parties and the revised General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MoUs) and similar arrangements the Similar Arrangements (GSIs)</i>, ICAO Partnership Framework Guidance Material provides internal guidance for Secretariat Staff on the processes and procedures related to ICAO partnership activities. This includes guidance and a checklist on risk assessment and due diligence to ensure the absence of conflict of interest. This promotes transparency, accountability and good governance.	Partially Implemented. Due to the SARS pandemic, EA was not able to test the effectiveness of this new procedure put in place by Management, with particular regard to conflict of interest's avoidance

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	financial risks or liabilities for ICAO and the possible related impact on the Financial Statements; 2) if any procurement or direct purchase order has been assigned to the counterpart; 3) if the counterpart had respected the role and prerogatives of ICAO without overlapping with ICAO's initiatives, etc. This in order also to understand if there are any reputational risks and if a potential conflict of interest have been duly taken into considerations	However, it is agreed that checklists could be developed to provide additional assurances there is no conflicts of interest. In light of the above, the Secretariat agrees that a comprehensive partnership framework should take into account the issue of renewals and amendments to existing agreements. The procedures should also be in line with the UN best practice. The Secretariat further supports the introduction of processes and procedures that would provide reasonable assurances that any risks associated with interactions with external parties have been internally assessed. There should also be clarity on which agreements need to be submitted to the Committee for consideration. The Secretariat further agrees that it is an essential component of good governance to ensure staff accountability and a mechanism to ensure the absence of conflicts of interest and will address these concerns in the partnership framework under development.		
Rec. 4 audit report on external parties' agreements	In order to increase effectiveness, also in line with the EAO considerations as stated in its Evaluation Report that "partnership agreements [should be] based on well-defined criteria and [should] take measures so that all partnership agreements are linked to ICAO's Business Plan and Strategic Objectives to reap the expected benefits" and that "the absence of expected result in many of the cooperative arrangements, for example, made it difficult to assess the effectiveness and value-added of partnerships", we recommend Management to consider, when developing and implementing its Partnership Framework, that all proposals for interactions, brought forward by the Initiator, should present already clear objectives and indicators, that will allow different Bureaus/Offices and Regional Offices, as applicable, to have the possibility to assess necessity for engagement and to	Recommendation accepted with the following comments. It is recalled that in the consideration of C-WP/14707, Council (213/3) already decided that each proposal for new and/or amended arrangements submitted to the CCEP for review should be accompanied by an assessment, which should describe the following: nature, level and extent of current cooperation (if any) with the other party; legal views on benefits and utility of the proposed arrangement; and cost or impact to ICAO if such an arrangement were not entered into by the Organization. This is currently work in progress. The Secretariat agrees that partnership agreements should have clear objectives that allow for monitoring the effectiveness of the collaboration. In determining the level and detail of 'expected results', the very wide range of agreements entered into by the Organization	Update as of 31 January 2019: A draft partnership framework has been prepared which addresses the recommendation, in combination with the updated General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MOUs) and Similar Arrangements</i> prepared by LEB. Coordination of the draft partnership framework is ongoing with concerned Bureaus/Office. Update as of 31 January 2020: ICAO Partnership Framework Guidance Material, ICAO Policy on Interactions with External Parties and the revised General Secretariat Instructions on <i>Agreements, Memoranda of Understanding (MoUs) and similar arrangements</i> the Similar Arrangements (GSIs) together provide the Secretariat with guidance and templates to ensure that MoUs contain clear	Partially Implemented. Due to the SARS pandemic, EA was not able to test the effectiveness of this new procedure put in place by Management, with particular regard to conflict of interest's avoidance

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	monitor effectiveness of the agreements and their potential benefits and risks (as specified in para. 61).	must be taken into account and allow for a degree of flexibility.	objectives and indicators and that agreements are linked to and support ICAO's Strategic Objectives.	
Rec. 1 special report on cyber security	In relation to the EAO's recommendation n. 3 ("Network Segmentation"), where is recommended performing <i>"a redesign of the existing LAN segmentation to better accommodate ICAO business and security needs"</i> , <u>we</u> share the EAO's view and further <u>recommend</u> that ICAO start from a collection of services maps that show relationships between every business service and their IT components. In this way, it should be possible to applicate segregation "vertically" (front-end, DMZ, back-end, etc.) but also horizontally, relying on the different critical level of each service.	Recommendation accepted. Already, a set of projects in the Cybersecurity Action plan address the issue of Network segmentation. A preliminary report by a reputable third-party Information Security service provider was presented to ICAO, which will form the basis of the network re-design, and the projects are planned for 2018. The new design will be informed by the relevant Business Service vs. ICT component maps as recommended. A comprehensive programme for Enterprise Architecture for ICT within its own dedicated unit has also been established in the ETS Section. This unit will oversee the creation and maintenance of these maps.	Update as of 31 January 2019: The implementation of this recommendation was delayed because ETS is looking to leverage the implementation of a new firewall infrastructure to involve external expertise on the design of the new architecture with the implementation of the new firewall. The procurement of the new firewalls took longer than initially planned. ETS waited for the firewall procurement process to be completed, to make sure that network architecture mandate would not interfere with the impartial procurement process. ETS is in contact with an expert partner to develop, in collaboration with the Information Security Team, the new network architecture; it is expected that the mandate will be completed in Q1. Update as of 31 January 2020: The initial recommendation ("Network Segmentation") that ICAO should perform <i>"a redesign of the existing LAN segmentation to better accommodate ICAO business and security needs"</i> has been completed. The further recommendation that ICAO start from a collection of services maps that show relationships between every business service and their IT components has started and is underway. In agreement with EAO, the target date has been extended to June 30, 2020.	Ongoing
Rec. 2 special report on cyber security	With reference to the EAO's recommendation n. 7 ("Telework, Remote Access and Mobile Devices"), which recommends that <i>"a new Instruction should be developed considering controls from the ICAO Acceptable Use document to be combined with controls for teleworking and remote access"</i> , we share the view of the internal auditor and <u>we recommend</u> also that ICAO, apart from developing of a technical	Partially accepted. Teleworking is outside the scope of this audit. ADB/ETS will develop Technical Instructions on Remote Access to ICAO IT resources. These instructions will fully document the services currently in place including the security criteria to be applied and the user's obligations when using such services.	Update as of 31 January 2019: The Technical instructions on Remote access to IT Services are already available. A procedure is already in place to request remote access to ICAO IT services via remote desktop or remote application connections. Criteria are applied to limit access on an as required basis only. Permission is granted for six months only and must be renewed. HR is responsible	Closed

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	instruction about teleworking and remote access, develop a strict policy to regulate such activities, as, for instance, which services are available for teleworkers, which information can be accessed through telework, etc.		to develop AI for working from home. Update as of 31 January 2020: The AI on “Acceptable use of ICT Resources’ was revised in 2018 to accommodate Teleworking as recommended by the auditors. Ancillary instructions for the services available and what is accessible through which service are published separately by ETS as part of the Operating Instruction to the various services, given that this information evolves according to adopted technology. This item was confirmed as “implemented” by EAO.	
Rec. 3 special report on cyber security	Referring to the recommendation n. 13 of the EAO (“Expand Log Management”), where is recommended “ <i>implementing a full log management system within and controlled by dedicated ICT log management personnel and revising SIEM input requirements to take into account full log inputs and expected additional technical inputs</i> ”, we share the EAO’s view and <u>we recommend</u> , in addition: (i) that logs be collected in order to prevent non-repudiation, e.g. sending them in real time to a central repository where they are digitally signed, (ii) that all system be synchronized on the same time server, (iii) that the personnel that has the administrative assignment on log management infrastructure be dedicated to security monitoring, without having at the same time other administrative tasks (even in other security areas, e.g. firewall administration), (iv) defining a policy of log retention, which considers how long data must be stored, and (v) correlating events and spotting individual anomalies or patterns of behaviour that may indicate a security breach also based on past security incidents.	Accepted in principle and subject to the provision of necessary funding in the regular budget to implement the recommendation. An audit and transaction log management policy has been implemented. An information security operation center roadmap along with a SIEM implementation plan is being executed and monitored using key goal indicators (KGIs). A log system will be implemented for the entire ICT environment to further enhance ICAO information security capabilities. ICAO has outsourced some information security operations functions and will be looking for other opportunities to outsource security functions requiring a high degree of expertise and intensive workload.	Update as of 31 January 2019: Q3/2019 (InfoSec SPLUNK) InfoSec SOC roadmap to be revised reflecting the implementation of a full log management system. CORE ACTIVITY #3: INFOSEC 1.1.3 in “2019 InfoSec operational plan.xls” is to improve maturity of SPLUNK as a SIEM ecosystem - SPLUNK architecture redesign to improve and augment capabilities to function as a Security Information Events Management (SIEM) The InfoSec SPLUNK will insure also items (i), (ii), (iii), (iv) and (v). The (iv) will also be developed as a technical instruction in the information security system management (ISMS) (see ICAO InfoSec strategy 2019 presentation to FSMG). Update as of 31 January 2020: Q1/2020 (for the internal SIEM) Q4/2020 (for the 24/7 monitoring by external partner) The assessment on the previous SPLUNK environment was made (status of implementation, status of deployment, etc.) and it was judged insufficient to respond to the recommendations.	Ongoing

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			InfoSec has presented the design of the new SIEM Ecosystem to IT on 2019-06-07. The new SIEM ecosystem is addressing items (i), (ii), (iii), (iv) and (v). Three hardware nodes have been delivered by IT on 2019-12-06 and network for the SIEM have been created on 2020-02-26. InfoSec is currently working on deploying the SIEM ecosystem's cluster & components on these three nodes. The SIEM ecosystem is part of the strategy to outsource the 24/7 monitoring to an external partner MSSP (managed security services provider). 1/ internal SIEM ecosystem, 2/ external SPLUNK cloud, and 3/ engage with external MSSP (external partner). Update as of 14 October 2020: Q4/2020 (for external SPLUNK) Responding to the items requested, (i) logs are sent from each agent to the central InfoSec SIEM ecosystem. They are not modified from the agent to the management nodes. (ii) all the servers in ICAO are synchronized to the Active Directory servers. The nodes from the InfoSec SIEM ecosystem are running on separate network segments. (iii) personnel to monitor logs should be dedicated to security monitoring. Currently, due to resource constraints we cannot allocate a dedicated resource to perform this activity. The strategy in Operational security is to outsource the 24/7 operations to MSSP (managed security services provider). (iv) until the external SPLUNK is available (with 1 year retention), all logs in the internal InfoSec SIEM ecosystem are not removed. Funding has been approved for the external SPLUNK.	

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			(v) At the end of June 2020, IT opens the network traffic to the InfoSec SIEM ecosystem. The InfoSec SIEM ecosystem went live on June 22nd, 2020. Since its deployment, it was the main platform to answer to several incidents (exposing several IT issues and responding to several incidents involving Delegations). Its design had been discussed with UNICC and UNICEF, as well as external partners recommended by Microsoft. Status: On-going	
Rec. 4 special report on cyber security	Considering that the current scope for the ISMS, as designed, may not accurately describe the boundaries and applicability of the ISMS itself, because some of the controls required for designating risks had been bypassed (see para. 30), <u>we recommend that ICAO undertake a review to include controls of Standard ISO 27001:2013 that are currently neglected, such as A.14.2.7, outsourced development, and control objectives A.15.1 and A.15.2, related to third parties.</u>	Accepted. ICAO recently created a CISO position and is in the process of filling the position. Once the CISO is appointed, reviewing the current ISMS situation and the appropriate control standards will be addressed as a matter of priority.	Update as of 31 January 2019: Q4/2020 (ISMS Phase I) ISMS is the main item of the InfoSec strategy / organizational security. The ISMS from scoping to risks to controls is being revamped according to the proposed roadmap (see ICAO InfoSec strategy 2019 presentation to FSMG). The controls related to outsourcing, third parties will be part of the risk management framework and program (3rd party risk assessment and compliance 3PCRM). Update as of 31 January 2020: Q4/2020 On ISO 27001:2013, the Information Security Strategy & Roadmap 2020-2022 has been presented to the Council on 2020-02-03. The strategy mapped the risks assessed both internally and externally by the mandate of UNICC 2019 to the domains of ISO 27001:2013. The organization security is following the ISO 27001:2013 standard, and the operational security is following the NIST Cybersecurity Framework. The presentation material contains	Ongoing

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			scenario taken, risks addressed, costs projected and three-year plan. On the third-parties, ISMS has been restarted in 2020. The first meeting was on 2020-01-28. Five administration instructions have been presented. The Administration Instruction on Supplier Security IS-AI-011 Supplier Security 1.3 (A.15.1.1) was one of the five. It outlines how to address the risk assessment with the supplier (Administrative Instruction, ICAO Supplier Security Assessment Questionnaire, Risk assessment). InfoSec was working with Procurement. Currently, IS-AI-011 Supplier Security 1.3 (A.15.1.1) is going through the minor modification with LEB before being submitted to OSG for approval. Update as of 14 October 2020: 15.1 Information security policy for supplier relationships to 15.2 Supplier service delivery management. Several activities are identified in the Information Security Roadmap 2020-2022, to be carried by the external consultancy firm for implementation. The tender-process is in its final phase. The supplier security IS-AI-011 Supplier Security 1.8 (A.15.1.1) is currently in the OSG for approval. The program and risk assessment for vendor supplier has been “tested” with several projects, for example, deployment of UN Inspira in ICAO, Freemium Impelsys. Status: On-going	

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Rec. 5 special report on cyber security	For a more focused analysis on cybersecurity aspects, <u>we recommend</u> that Management adopt a specific framework, like NIST cybersecurity framework, possibly using an integrated approach with a robust IT management framework. Firstly, and in particular, the “ <i>detect and respond functions</i> ” should be implemented, to allow the ICAO to face sophisticated attacks, like multi-stage malware and advanced persistent threats, that can compromise not only data but also critical services or infrastructures.	Accepted. ICAO recently created a CISO position and is in the process of filling the position. Once the CISO is appointed, reviewing the Information Security posture and selecting the best security framework will be addressed in priority. In 2017, ICAO conducted a comprehensive security posture assessment using ISO27001 and the NIST framework. Based on this information, ICAO Information Security drafted its strategic plan and developed the roadmap to achieve the required security capability maturity level.	Update as of 31 January 2019: Q4/2020 (ISMS Phase I, org and operational security) While the ISMS (based on ISO 27001:2013) is part of the organizational security, we use NIST CSF as the standard for the operational security. The combined organizational and operational security use a capability maturity level model and recurrent assessments to acquire maturity (see ICAO InfoSec strategy 2019 presentation to FSMG and milestones). Update as of 31 January 2020: Q4/2020 On ISO 27001:2013, the Information Security Strategy & Roadmap 2020-2022 has been presented to the Council on 2020-02-03. The strategy mapped the risks assessed both internally and externally by the mandate of UNICC 2019 to the domains of ISO 27001:2013. The organization security is following the ISO 27001:2013 standard, and the operational security is following the NIST Cybersecurity Framework. The presentation material contains scenario taken, risks addressed, costs projected and three-year plan. The capability maturity levels, assessments, measurements, objectives are described in the presentation to the Council on 2020-02-03. InfoSec is currently working with consultant to produce the Information Security Incident Management Framework & Program (1 of the 3 deliverables has been completed). The Administrative Instruction IS-AI-012 Incident Management 2.0 (A.16.1), IS-PRO-020 Incident Response 1.0 along with playbooks have been completed.	Ongoing

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			Update as of 14 October 2020: The Information Security Incident Management Framework & Program, with the IS-AI-012 Incident Management 2.1 (A.16.1) and the IS-PRO-020 Incident Response 1.2, is now completed. The two documents have been presented to the ISMG of September 2020 and are at final stages of approval. The Information Security Roadmap 2020-2022 contains two components, Organizational security (based on ISO 27001/2:2013) and Operational security (based on NIST Cyber Security Framework), and are mapped/correlated between the two. The Roadmap has been presented in February, then in May, expressing this holistic strategy (Organizational security and Operational security). Progress on the implementation of the Roadmap and on its posture is tracked and presented to the sessions of the Council. Slide deck can be provided. Status: On-going	
Rec. 6 special report on cyber security	We recommend that Management implement a successful cybersecurity strategy, to define a cyber threat information sharing network, which can increase the efficiency and effectiveness of an organization's cybersecurity capabilities. As an example, NIST Special Publication 800-150 can be used as a guideline to help the organization to establish information sharing goals, identify cyber threat information sources, engage with existing sharing communities, etc.	Accepted. ICAO is already participating in the UN cyber threat network as well as civil aviation threat intelligence.	Update as of 31 January 2019: Q3/2019 (risk management) In the vulnerability management framework and program, from the operational security part of the InfoSec strategy, threat intel does take its place (see ICAO InfoSec strategy 2019 presentation to FSMG). ICAO is also member of the Aviation Information Sharing and Analysis Centre (A-ISAC). A-ISAC allows information sharing, gathering and help requests. ICAO commits to participate to meeting the A-ISAC network. Update as of 31 January 2020:	Closed

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			The Administrative Instruction IS-AI-014 Vulnerability Management 1.0 (A.12.6.1) has been presented to the ISMG and accepted, as part of the five administrative instructions to be submitted to OSG for approval. On the threat sharing, ICAO is part of the A-ISAC and actively participated into the sharing & discussion with A-ISAC (Dallas meeting on 2019-02-19, monthly team meetings, A-ISAC emergency call with DHS on 2020-01-14) InfoSec is following also closely the Canadian Cyber Centre for the threat sharing (incident of 2019-04-02). Request for closure.	
Rec. 4/2016	We consider that the asset management framework needs further improvement; therefore, we <u>recommend</u> that Management should: i) consider the feasibility of assessing the status and the level of utilization of assets; ii) monitor regularly the obsolescence of items, also with a view to assessing the accuracy of the Asset Register; iii) extend these processes and procedures to all ICAO Bureaus and Regional offices.	Continuous efforts will be undertaken to further improve the accuracy of the asset register. While a comprehensive inventory count and assessment is performed on a regular basis, the Organization does not have the resources to centrally and continuously monitor the status and level of utilization of all assets. In addition to the regular inventory count, ADB/CSG is in the process of implementing an asset transfer/relocation form to track movement of all IT and Non-IT assets to be used by all ICAO Bureaus and Offices.	As mentioned above, with the implementation of the Asset Relocation Sheet, we will now have a daily assessment and record of all asset movements and assignments. The Asset Transfer Relocation form has been implemented and used from April 2017. Bureaus and Offices are using this form and submitting to ADB/PCU accordingly. ADB considers this recommendation to be closed. Update as of 31 January 2019: ADB considers this recommendation to be closed. Update as of 31 January 2020: ADB considers this recommendation to be closed.	Due to the SARS pandemic, we should suspend in this case our assessment, especially because we could have carried out no sufficient extensive testing on the spot, to be able to close this recommendation. Therefore, we leave this recommendation open to our successors.
Rec. 5/2016	We <u>recommend</u> that the Asset management of IT tools Assets will be further implemented as soon as possible according to Recommendation n. 4 and, in particular, that portable devices i) are carefully monitored in all their useful technical life, and ii) are	Recommendation accepted. ICT already implemented an IT asset management system as part of the deployment of a standard ITIL management system. ICT has been keeping a record of all IT assets acquired in HQ since 2014. This system will be	An Excel form has been implemented by PCU since 2015 and is being used in data by HQ and Regional Offices. It is confirmed that PCU and ETS have already implemented this recommendation in HQ and Regional Offices for IT and non-IT assets.	Due to the SARS pandemic, we should suspend in this case our assessment, especially because we could have

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	assigned only after a "recognition of need" (prepared according a specific procedure). This, in order to avoid that these devices, although still serviceable, are written off, or left unused, while continuing to buy similar devices.	expanded to record IT assets acquired before 2014, and it will also be deployed to the Regional Offices. Users are required to submit a form in support of the acquisition of IT assets which will be added to the IT assets database.	ADB considers this recommendation as closed. Update as of 31 January 2019: ADB considers this recommendation to be closed. Update as of 31 January 2020: ADB considers this recommendation to be closed.	carried out no sufficient extensive testing on the spot, to be able to close this recommendation. Therefore, we leave this recommendation open to our successors.
Rec. 1 audit report on recruitment	We acknowledge that the recruitment process is well documented in several HR policy instruments (such as Staff Regulation, Staff rules, Memoranda etc.). Guidelines are in place, however, we <u>recommend</u> that Management prepare a comprehensive guide, which summarises all the Rules, Regulations, IOM, Circulars, etc. present in ICAO.	An administrative instruction consolidating all existing documentation/procedures on recruitment and staffing will be developed.	Update as of March 2018: Ongoing; to be delivered by September 2018 as per the HR operational plan. Due to operational reasons and resource constraints, the deadline was moved from 2017 to 2018. Update as of 31 January 2019: A draft administrative instruction on recruitment is being developed and will be finalized in March 2019. Following the internal review process, the administrative instruction will be implemented by 30 June 2019. Update as of 31 January 2020: A draft administrative instruction on recruitment was prepared in 2019. However, its finalization and implementation are linked to the implementation of the UN-INSPIRA talent management system, which had been planned for 2019 but it has been moved to 2020. The administrative instruction will be revised to align with INSPIRA requirements and finalized in 2020, together with relevant manuals on the INSPIRA system which will be delivered around October 2020 by the UN Office of Information and Communications Technology.	Ongoing
Rec. 1/2015	<u>We recommend</u> that Management continue to make efforts to monitor the updating of signature powers at banks, e.g. if a signer is added or deleted because he/she is no longer authorized.	The Recommendation is accepted. We propose to ask our banking partners to send us a confirmation of receipt for all future letters to confirm that all requested changes have taken place. Treasury will implement a follow up system to ensure that the banks	The recommendation is implemented. Every time a letter is sent out changing signatures, a confirmation form to be completed by the bank is attached. Update as of end March 2018:	Closed

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		respond to our request.	Every time a signature change letter is sent out we attach our acknowledgement form. Although we insist to the bank that they complete the form, we have no control over them and their own internal procedures. A "signatory list" as we know it will soon be a thing of the past. Due to increased cyber security, banks are moving away from the traditional list, which can be easily manipulated, to more robust security measures which include RSA tokens for all users, uploading of a list of approvers to a secure web site with the assistance of a bank contact and new bank documentation where we complete a secure form that they control. We are already working with the Royal Bank of Canada (RBC) on some of these new procedures. Some banks have also indicated that they will not disclose our signature list for security reasons even if it is an audit request. Things have changed dramatically as the banks are receiving hundreds of fraudulent attempts daily. In the meantime, we will continue to send out our acknowledgement form and push the banks to reply properly to us and to the auditors. Update as of 31 January 2019: Banks do not require a list of signatories as in the past they have implemented new security measures which we have adopted (e.g. token, passcode, etc.). All banks require two- factor authentication which we also have implemented. Update as of 31 January 2020: In addition to the comments above, a communication was sent to all TC field accounts in 2019 asking the banks to confirm the signatories on record to ensure that they complied with the approved ICAO list. So far, out of 11 projects with imprest accounts, we have received bank signatories' confirmation from 9	

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			projects. Treasury unit has been making great efforts to close imprest accounts provided alternative methods of payments are satisfactory.	
Rec. 2/2015	In consideration of the above-mentioned issues, we <u>recommend</u> that Management seek an opinion from the Legal Affairs and External Relations Bureau on how to better regulate the ECAC/EUR-NAT operational banking activities. At the same time, it should start a thorough internal review of the current procedures, aiming at enhancing the internal control process with regard to the ECAC bank accounts and other similar situations, if any.	The Recommendation is accepted. We will emphasize, again, to ECAC that bank accounts can only be opened under the authority of ICAO's Treasury Office. Second, we will request a review by our Legal Bureau of the current arrangements between ICAO and ECAC with a view to mitigate any risk that ICAO may be exposed to. We will explore if an Agreement between ECAC and ICAO where ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference.	Management reached out to the Legal Affairs and External Relations Bureau for an opinion on how to better regulate the ECAC/EUR-NAT operational banking activities. It appears that the most efficient solution in the short term is to explore if ECAC's governing council can adopt a resolution under which ECAC agrees to indemnify ICAO for any loss that ICAO may suffer as a result of an action by one of its staff members will resolve this matter. Finally, we confirm that we do not have similar arrangements with any other regional civil aviation conference. Update as of end March 2018: LEB and Procurement are in the process to get a formal legal commitment from AIG (insurer) to make sure the current Crime policy covers ECAC staff. And LEB is also requesting ECAC member States to issue a resolution to confirm that they "agree to indemnify ICAO for any loss that ICAO may suffer as a result of an act or omission of an ECAC Official." The documentation has been drawn up, and this resolution will be sought once the insurer has formally confirmed the insurance coverage issue. Update as of 31 January 2019: The Directors General, members of the ECAC Coordinating Committee, were informed in November 2018 of the non-inclusion of ECAC staff in ICAO's insurance, and have expressed the need for ECAC to get an anti-fraud insurance coverage before signing the exchange of letters, as proposed by LEB. ECAC has subsequently obtained the requested insurance policy, and after its signing, ECAC will work with LEB to finalize/sign the exchange of letters.	Closed

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			Update as of 31 January 2020: On 5 February 2019 ECAC informed LEB that the ECAC President had signed a new insurance policy contract on 1 January 2019 which covers acts by ECAC staff including operations related to the ECAC bank accounts. Following discussions on the wording of an exchange of letters to provide an indemnity and hold harmless commitment by ECAC Member States, the President of ECAC wrote to the Secretary General on 9 May 2019 formally making the commitment. In a letter dated 8 August 2019 the Secretary General formally accepted the ECAC indemnity and hold harmless commitment. LEB considers this recommendation to be closed.	
Rec. 1 Report on Audit of ASHI	We recommend to Management to consider a modulation of the incidence of the cost of the ASHI scheme, following the solidarity principle, according to the level of gross salary/pension earned, given that in the current ASHI scheme, “premium” is not proportional to the size of the salary/pension.	Management will develop a scenario where the retiree's share of the related premiums for medical benefits is proportional to their pension.	The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS and FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. A Working Group has been established by the United Nations to review ASHI with respect to the UN common system organisations and to make recommendations to the UN GA. While considering the recommendation, ICAO being a part of the UN common system will be guided by the recommendations and decisions of the UNGA on this matter. The ASHI Working Group is expected to present its report to the UNGA in due course. (Management considers this recommendation as closed).	Ongoing. See this report

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			Update as of 31 January 2019: The final report dated December 2018 of the UN Secretary-General on Managing ASHI, which was prepared at the request of the UNGA indicated once again that scenarios with a reduced share of the premiums apportioned to the organizations are not to be explored and to continue to maintain at existing ratios the apportionment of health insurance premiums between the organization and both active and retired staff members covered under United Nations health insurance plans. Update as of 31 January 2020: Position not changed, Management considers this recommendation as closed. ICAO will continue to monitor UN's decision and will consider submitting funding options to the Council in the future.	
Rec. 2 Report on Audit of ASHI	We recommend to Management to consider also a threshold to the ICAO contribution to the ASHI scheme levelled on granting similar benefit of a reference State (for example RAMQ) but limited, in terms of risk, to the country where the pensioner is resident.	Management will consider a proposal where the excess cost of the premium attributable to worldwide coverage compared to national coverage is borne by the retirees. Where no national coverage exists, a premium similar to the one in Head Quarter (Class 2) will be used as reference.	The two options had been met with strong opposition from the ICAO Staff Association and retirees' representatives (CAFICS) and (FAFICS) as they impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that that would remain unchanged in the future. This position was presented to the Council at its 208th session who noted it. C-DEC 208/11 paragraphs 30-34 refer. The recommendation is subject to the outcome of the ASHI Working Group of the UN Common system organisations and the decision of the UN GA. (Management considers this recommendation as closed)	Ongoing. See this report

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			Update as of 31 January 2019: The final report dated December 2018 of the UN Secretary-General on Managing ASHI, as stated above mentioned that scenarios with a reduced share of the premiums apportioned to the organizations, with the objective to transfer the organization's ASHI obligation to active and retired staff members are not to be explored and to continue to maintain at existing ratios the apportionment of health insurance premiums between the organization and both active and retired staff members covered under United Nations health insurance plans. The UN Secretary-General considers that control of the ASHI obligation is better achieved through its funding and other cost containment measures rather than through the transfer of liability implicitly. Update as of 31 January 2020: Position not changed, Management considers this recommendation as closed. ICAO will continue to monitor UN's decision and will consider submitting funding options to the Council in the future.	
Rec. 3 Report on Audit of ASHI	After having re-modulated the ASHI scheme following the previous recommendations, <u>we recommend</u> that Management study a targeted opt-out incentive, assessing at the same time its cost-benefit against the ASHI "premium" paid by ICAO, evaluating also any possible negative impact on the ASHI scheme, when retirees decide to opt-out.	Once the previous modifications are implemented, Management will study targeted opt-out incentives.	The previous recommendations regarding the reduction in the ASHI benefits had been met with strong opposition from the ICAO staff Association and retirees' representatives (CAFICS) as it impacted the apportionment of health insurance premiums between the Organization and participants. Staff and retirees representatives considered that as a benefit attached to their employment at ICAO and had an expectation that would remain unchanged in the future. This was presented to the Council which endorsed it. The opt-out option as the most impactful option studied by the actuaries was presented by FIN to the Life and Health Insurance Committee which includes members of Staff Association and CAFICS to explain the	Ongoing. See this report

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			benefits/drawbacks of the opt-out option in order to initiate discussion and consultation with staff and retirees at large. We also assisted Human Resources (HR) in developing a monkey survey on the opt-out option to survey staff and retirees on the possibility to accept or not this offer. HR is advocating a discussion with Health Committee and other sister UN agencies before this is rolled out. Update as of end March 2018: This matter is currently under discussion with the ICAO Health and Life Insurance Committee (HLIC), with stakeholders' representation. Once the analysis is concluded, a study on the impact will be conducted. Update as of 31 January 2019: A survey on the opt-out option has been conducted by ICAO to assess all staff and retirees' positions regarding the acceptance of this option. The survey was completed and its outcome is to maintain the coverage under the Medical Benefit Plan since the vast majority of ICAO's staff and retirees did not express an interest in pursuing the opt-out option. As a consequence, the opt-out option will not be pursued by the Organization at this juncture. Update as of 31 January 2020: Position not changed. Management considers this recommendation as closed.	
Rec. 2/2014	As remedial measures are needed, these drivers might be considered by the Council: whereas the first driver is totally not within the Management's remit, <u>we recommend</u> Management, as part of their competence, to address the other drivers with the Council.	Accepted. FIN will be presenting options for funding ASHI liability at the 205th Session of the Council.	FIN will be presenting options for funding ASHI liability at the 205th Session of the Council. Update as of end March 2018: FIN presented the following options for funding ASHI liability at the 205th and 207th Session of the Council: a) increasing the mandatory age of separation immediately from 62 years to 65 years (cost	Partially implemented by Management

N.	Recommendation raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Status on actions taken by Management as evaluated by the Corte dei conti
			containment strategy); b) implementation of a monthly payroll charge of 2 per cent on the gross salary of all active staff (funding strategy); c) offering incentives to retirees to opt out of the ASHI plan and take up nationally-sponsored healthcare options instead by providing annual annuities of either CAD 2 000 or CAD 2 500, indexed to the Canadian Consumer Price Index (CPI), in addition to reimbursement of the premium for the nationally-sponsored healthcare options (cost containment strategy); The Secretariat continues to follow actively the developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. (Management considers this recommendation as closed) Update as of 31 January 2019: The ICAO's Secretariat continue to follow up on the developments at the level of the UN through the ASHI Working Group in finding a common solution to this common issue within the UN system. The final report of the UN Secretary General on this issue considers that control of the ASHI obligation is better achieved through its funding and other cost containment measures such as UN system negotiations with third party administrator, etc. rather than through the ASHI premium apportionment. Update as of 31 January 2020: Position not changed. Management considers this recommendation as closed.	

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

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 audit report on ethics framework	The JIU, with the Recommendation n. 1 of its report 2010/3 (Ethics in United Nations), recommended that “ <i>The legislative bodies of the smaller organizations should direct their respective executive heads to put forward proposals for providing the ethics function through either a joint ethics office established by a group of organizations on a cost-sharing basis or in-sourcing to the ethics office of another organization on a cost-sharing/cost-recovery basis</i> ”. Considering JIU's recommendation, since the confidence in the Ethics Framework might decrease, as an example, from the point of view of a whistle-blower, if the EO's role is covered, even <i>pro-tempore</i> , by a former member of the ICAO who may have been involved in past disputes with colleagues, <u>we</u> also <u>suggest</u> that, in order to enhance the level of confidence in the Ethics framework, the Secretary General might consider alternative options to the internal solution, such as assigning a <i>pro-tempore</i> , even part-time, position to an active EO working in another Agency or selecting one EO from the UN roster.	The suggestion is subjective and not supported by factual evidence. The ethics function is critical for maintaining high standards of integrity, respect and accountability within the Organization, and the Secretary General's decision to appoint an acting Ethics Officer was intended to avoid disruption and ensure continuity in the delivery of the ethics function in the best interests of the Organization. The suggestion to have the ethics function externally staffed even in an interim period is inconsistent with common UN practice. Further, the suggestion that an Ethics Officer should be engaged from another Agency on a part time basis is unworkable since the functions and duties of the ICAO Ethics Officer are remarkably broader and different from the functions typically performed by Ethics Officers in the UN and other Specialized Agencies.	Update as of 31 January 2020: This suggestion is not accepted. Update as of 14 October 2020 The recommendation of the External Auditors was superseded by the recruitment of an external Ethics Officer who assumed his duties in September 2020	N/A	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1/2018	Therefore, <u>we suggest</u> incorporating the current procurement procedures into a Procurement Procedures Manual as foreseen by article 1.3 of the ICAO Procurement Code.	The suggestion is accepted. The current detailed procurement procedures indeed identify all procedural requirements to carry out the procurement function and comply with the ICAO Procurement Code. They are currently catalogued under the ISO 9001:2015 structure and will be linked to the ICAO Procurement Code and collated to form a manual.	Update as of 31 January 2020: On-going as this must be developed within the framework of a new Procurement Code. Only when a new procurement code is developed can a cross-reference to a manual be developed.	TCB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 4/2017	We suggest a review of the actual adequacy of Staff resources in the operating units more affected by overtime work and to also establish whether the current overtime cap needs to be adjusted.	Due consideration will be given to the suggestion having regard to the best interest of the Organisation.	Update as of 31 January 2019: ADB/POD is reviewing the patterns on overtime with a view to proposing a revision to the current staff rule and related procedures. As this will entail an in-depth study to determine patterns and the need to potential introduce new working arrangements such as shift work, and not only adjustments to the current conditions on overtime, it is requested that the deadline for this work be extended from 31 March 2019 to 30 June 2019. Update as of 31 January 2020: In order to finalize a review of overtime, ADB/POD first needed to evaluate ICAO's standard working arrangements, as this will impact accrual of overtime. A full study has been carried out proposing modifications to existing working hours and official holidays, as well as to introduce flexible working arrangements such as compressed work weeks, staggered hours, flexi-time etc. Once this policy has been finalized, it will be possible to assess whether this resolves some of the issues associated with overtime work and to determine the remaining need to revise staff rule on overtime and associated personnel instructions. As an interim measure the overall cap of 12 hours of paid overtime a month has been increased to 20 hours per month up to a maximum of 100 hours per year as of 1 January 2020.	ADB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 audit report on external parties agreements	Considering that, at the time of our audit, CCEP was monitoring the efficiency of its activity through detailed statistics, <u>we suggest</u> Management to consider, in the development of its Partnership framework and procedures, the cost-benefit to include statistics on efficiency at level of Initiators (as defined in point 1.1.c of the AI). For instance, it would be important to understand <i>how many</i> working days secretariat staff are needed to prepare MoUs and similar Arrangements and if they have been efficiently coordinated by the Initiator. Further, it might be important to highlight that, having these statistics, would provide a means to assess effectiveness of the process: reliable statistical data might provide to CCEP and Secretariat, possibly jointly, the chance to undertake corrective actions, also on how to efficiently and effectively divide the workload amongst them.	<i>Suggestion <u>not accepted</u> with the following comments.</i> The time required to prepare and finalize memoranda of understanding varies with the complexity of each individual case, and whether terms and conditions were easily agreed with the counterparty, etc. This could be anywhere from two days to two weeks. However, once basic terms and conditions are agreed upon, normally internal mechanisms (e.g. inter-Bureau coordination including LEB review) prior to reaching CCEP would take about one week. Relevant offices are always coordinated per paragraph 4.2 a) of the Policy, and the time and resources involved are no different than with other matters that require inter-Bureau coordination. In light of the above, and to facilitate conclusion of agreements, the Secretariat has developed template agreements for various categories of partnerships. The use of such templates expedites the process with the external counterparty, and in certain conditions are exempted from the CCEP review process.	Update as of 31 January 2019: This suggestion is not accepted. Update as of 31 January 2020: This suggestion is not accepted.	N/A	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 1 special report on cyber security	Considering the core business of the organization, <u>we suggest</u> that Management consider the Framework for Improving Critical Infrastructure Cybersecurity released by NIST. It is worthwhile mentioning that this document is still in draft, however, in our opinion, it has important insights about the mentioned themes.	Suggestion accepted, will be considered.	Update as of 31 January 2019: Q4/2020 (ISMS phase I, org and operational security) See Rec. 5 special report on cyber security. While the ISMS (based on ISO 27001:2013) is part of the organizational security, we use NIST CSF as the standard for the operational security. The combined organizational and operational security use a capability maturity level model and recurrent assessments to acquire maturity (see ICAO InfoSec strategy 2019 presentation to FSMG and milestones). Update as of 31 January 2020: See Rec. 5 special report on cyber security.	ADB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 2/2016	Following also what stated in our recommendation n.6 above, <u>we suggest</u> i) that asset management related to disposal might be further enhanced in particular through an assessment if an asset could be used further beyond the “estimated” life cycle when the depreciation ends and ii) to consider, subject to a cost/benefit evaluation, the possibility of exchanging assets between Departments and Regional offices, before deciding to buy a new item.	Suggestion partially accepted. As per policy, the life cycle is still the main indicator of asset value and eligibility to be written off. However in practice, items that are still serviceable are utilized until they are unserviceable. A cost/benefit evaluation has been performed and has determined that transfer of items between the eight RO's and HQ would not be cost effective to the organisation as a result of costs, regional needs, data safety issues and transportation requirements.	The asset life extension project is now being reviewed by PCU and ICT so as to better judge feasibility, practicality and cost effectiveness of this policy change. Update as of 31 January 2019: As with the extended life cycle of Non ICT equipment at ICAO HQ for 2018, a pilot project In cooperation with ETS for IT equipment will be implemented in 2019 as per Audit recommendation in March 2018. Update as of 31 January 2020: As with the extended life cycle of Non ICT equipment at ICAO HQ for 2018, a pilot project in cooperation with ETS for IT equipment will be implemented in 2019 as per audit recommendation in March 2018.	ADB	Due to the SARS pandemic, we should suspend in this case our assessment, especially because we could have carried out no sufficient extensive testing on the spot, to be able to close this recommendation. Therefore, we leave this suggestion open to our successors.

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 5/2016	<u>We</u> therefore <u>suggest</u> that ICAO should explore the possibility and the cost-benefit of having different technical consultants for the different stages of the procurement process.	Noted. ICAO will study the possibility on a case by case basis.	On-going Update as of 31 January 2019: Nothing to add. Update as of 31 January 2020: Procurement has already provided instructions that the expert developing the requirements should not be the same expert carrying out the evaluation. However as part of a revision to the procurement code and since the technical unit developing requirements and evaluating will be segregated, procurement is assessing to develop an evaluation committee rather than having one expert. Expected Outcome will form part of a revised procurement code.	TCB	Ongoing
Sugg. 6/2016	Since this extension would require additional resources, which are currently not available at HQ Payroll and cannot be charged to the field projects as a direct expense, <u>we suggest</u> that an agreement be sought with the TCB to finance this service in an alternative manner.	An agreement between TCB and the Regular Budget needs to be sought for additional resources in the Payroll Office and in Treasury in order to deliver the service to all field staff. However, TCB should develop a methodology that would pass on the cost of the additional recourse fairly to all TC projects. Any solution whereby the cost is absorbed by the AOSC Fund would be unacceptable. We are also concerned that the solution is not scalable because the cost of the additional resources would be fixed in the short-term. However, the UNDP solution presents a scalable option.	No agreement has been sought to-date as status quo has been maintained. Update as of 31 January 2019: No change in status. Unless TCB offers to fund this service, FIN cannot deliver. Update as of 31 January 2020: No change in status.	TCB/FIN	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 8/2016	With a view to simplification, <u>we suggest</u> , for the next triennium, assessing the cost-benefit of attributing all the expenses and revenues directly to the regular programme, instead of maintaining the ARGF as a separate instrument for managing revenue-generating activities and contributing to the regular budget.	This is a wider policy decision that needs to be taken by the Council and the Assembly. Putting market-dependent activities within the strict confines of the Regular Budget which is fixed by assembly resolution to a pre-determined number has serious limitations. We will examine the pros and cons of this proposal.	Update as of 31 January 2019: The ARGF will continue to be a separate instrument in 2017-2018-2019 triennium (and the next) as it was since 2008. Based on the A39 resolution, the ARGF budget is based on mandatory contributions. Considering that the nature of ARGF budget planning is different, it is not recommended to consider ICAO's special funds including TCB and ARGF as part of regular programme budget. Update as of 31 January 2020: The ICAO Council members, and in particular the Finance Committee, considered in detail the role of the ARGF in the 2020-2022 Triennium Budget. A series of informal meetings with Council Members as well as regular Committee and Council sessions were held in 2018 and 2019. The costs and benefits of the ARGF in the context of the Regular Budget was discussed at length. In particular, issues such as staffing, revenue generation using the intellectual property (IP) for products, services and training were considered. The idea of integrating the ARGF into the Regular Programme was not supported during this process. This item should be considered actioned and closed.	ADB/FIN	Closed

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 2 audit report on recruitment	We suggest that HR Management explore the possibility (cost-benefit) of being assisted by external independent experts either for defining specific eligibility criteria for technical positions, prior to the issuing of the vacancy note either for determining in advance specific evaluation grid for assessing candidates, and also, if necessary, to select the most appropriate candidate for a technical post.	ICAO takes note of the suggestion and will explore the cost-benefit of using independent external experts whenever necessary and feasible. The practical approach would be to increase the use of standard/generic job descriptions which will be developed using internal expertise and/or external independent experts if so required. This is consistent with the practices of other UN system organizations, and will enable the Organization to establish evaluation criteria for positions in advance, and reduce subjectivity by the hiring Bureau/Office.	Update as of March 2018: ICAO hired an experienced job classification expert at the end of 2017, in order to develop standard job descriptions for technical posts both at Headquarters and in the Regional Offices. We plan to have standard job descriptions for 90% of technical post in the Regional Offices and at HQ, by the end of 2018. Update as of 31 January 2019: This item has been delayed due to the fact that the only classification officer at ICAO has been out on sick leave for an extended period of time. The staff member has resumed work recently on a part-time basis; so it is expected that this item can be implemented by end of 2019. Update as of 31 January 2020: An external consultant has been hired in order to assist with finalization of standard job descriptions for technical aviation posts both at Headquarters and in the Regional Offices, by the end of 2020.	ADB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 3 audit report on recruitment	Further to the Decision of the Council where “a maximum time frame of 12 months for the completion of the recruitment process for all posts, from the date of the issuance of the vacancy notice to the appointment decision” should be respected, <u>we suggest</u> to HR Management, in order to understand the efficiency and effectiveness of the process, to monitor all the time, since the request of a post issued by a Unit, and, in this way, every office will be accountable for the timing needed for the recruitment process.	The standard practice in the UN is to monitor recruitment timeliness from the date of vacancy advertisement until the date of selection decision. Nevertheless, ICAO HR already captures and monitors most of the steps of the recruitment process, starting from the date of receipt of the request from the hiring unit to the date of advertisement of the post. ICAO is currently implementing an accountability framework for recruitment timelines, detailing role/responsibilities of all parties, as well as a new IT tool to further enhance the management and monitoring of recruitment timelines. When fully implemented, these initiatives will provide the Organization with an opportunity to strengthen the monitoring and management of recruitment timelines from the initial request of the hiring unit to the appointment decision.	Update as of March 2018: An accountability framework for recruitment timelines, detailing roles/responsibilities of all parties, has been developed (attached). A new IT tool to manage recruitment processes is still under development. The new revised timeline for IT is end of 2018. Update as of 31 January 2019: The guidelines on recruitment timelines, detailing roles/responsibilities of all parties, were developed in 2018. These guidelines will be revised as part of the new administrative instructions on recruitment to be finalized in the 1st half of 2019. On the IT recruitment tool, a cost-benefit analysis is currently being prepared by ADB/IAS for approval by the SG, with implementation by December 2020. Update as of 31 January 2020: On the IT recruitment tool, we are currently working with the UN Secretariat to implement the INSPIRA talent management system by October 2020. This tool will give us the ability to monitor and report on the main steps of the recruitment process as per the audit recommendation.	ADB	Ongoing

N.	Suggestion raised by the Corte dei conti	Comments received from Secretary General at the time of the issuance of our report	Status as reported by ICAO Management	Responsible Bureau/Office	Status on actions taken by Management as evaluated by the Corte dei conti
Sugg. 5/2014	Considering the importance of preserving the data on staff, we suggest Management in HRB to complete within a reasonable time the digitalization of all the hard copy files.	Accepted. The possibility to digitize additional personnel data, taking into account organizational priorities for the preservation of information, should be considered based on available resources.	Update as of end March 2018: Digitization of medical records of staff is ongoing, and further assessment will be undertaken on digitizing staff files, bearing in mind financial, IT and staff resources. Update as of 31 January 2019: ICAO has engaged a consultant to assist in the organising of the medical files for easy digitisation. This is an ongoing activity. Update as of 31 January 2020: Digitization of medical files is an on-going activity and will probably take several years to complete. Unfortunately, the initiative has not been a major priority at the moment, considering the lack of IT, HR and financial resources for this.	ADB	Ongoing

ANNEX 3 – list of the “To the Council’s attention” in our previous reports

Report	Recommendation raised by the Corte dei conti
N. 1 audit report on ethics framework	We agree with the views of OIOS and EAAC and with their recommendations, however <u>we draw the Council’s attention</u> to the fact that the decision to outsource the investigation function and/or the protection of whistle-blowers should bring to a re-designed Ethics Framework, with a different role for the Ethics Officer, more tailored to its proper tasks; in addition, outsourcing might result in the necessity to have a tailored Service Code and related legal framework with strengthened rules and specific operating procedures, more in line with common UN practices.
N. 2 audit report on ethics framework	When a re-designed ethical framework model is submitted for approval, <u>we draw the Council’s attention</u> to the fact that the reform should be driven by some key elements, such as technical expertise, independence and confidentiality of information; the decision to outsource part of the Ethics function should consider not only <i>if</i> and <i>how</i> the oversight should be accomplished, specifically considering the role of EAAC. Furthermore, attention should be paid to redefining the role and functions of the EAO and the IC. The latter might have, in this case, a different composition.
N. 3 audit report on ethics framework	When a re-designed Ethics framework model is submitted by Management for approval, <u>we draw the Council’s attention</u> to the fact that the reform should clarify how the President of the Council and Council Members should be subject to the Service Code, or, on the contrary, <i>how, if and to what extent</i> , they could be involved in the oversight of the effectiveness and efficiency of the Ethics Framework.
N. 4 audit report on ethics framework	When a re-designed model of Ethics Framework is submitted for approval, considering, in accordance with our previous considerations, that it might be more effective to outsource only specific categories of investigations, <u>we draw the Council’s attention</u> to the fact that a new legal framework should pay particular attention on avoiding overlap of investigations, with the distinction of the respective roles of the Secretary General and of the external investigator. This element should be considered specifically in the cost-benefit assessment of a new Ethics framework.
N. 5 audit report on ethics framework	The Council has created an Investigation Committee, composed of three Members, including the Ethics Officer; in view of the fact that EO is tasked to ensure an independent <i>prima facie</i> assessment before submitting a decision to the IC, <u>we draw the Council’s attention</u> that the participation of the EO in the IC might generate a potential conflict of interests; therefore, in our opinion the membership of the IC should be reconsidered as soon as possible.
N. 6 audit report on ethics framework	Furthermore, <u>we draw the Council’s attention</u> to urge the Secretariat to set out how to timely apply sanctions to staff recognized as guilty. In our opinion, the mentioned provision is immediately needed, even before a new comprehensive re-designed model of ethics framework is developed (see also Recommendation n. 8).
Audit report on external parties agreements	It is worthwhile mentioning that since the first EAO’s Evaluation Report (EVA/2015/1) we observed continuous progress in the process management related to third parties’ agreement and we welcome the revised Policy approved by the Council and the efforts currently

Report	Recommendation raised by the Corte dei conti
	undergoing by Management and CCEP for implementing it. One of the aims of our performance report is also to provide an added value to the process. Also in the light of the above mentioned recommendations and suggestions, considering the role of CCEP as a strategic oversight function, and taking into consideration previous EAO evaluation reports and recommendations and the Secretariat's full acceptance of the recommendations with plans in developing a comprehensive Partnership Framework and procedures, <u>we draw the Council's attention</u> on the importance to ensure the role of CCEP as an active and integral part of the whole process, assuring an effective flow of timely and transparent information, gathered through an independent monitoring, carried out by different Bureau/Offices at HQ and Regional level, and through an enhanced control of the repository, jointly with the Secretariat, allowing Council members to have access to adequate information and files on any external parties' agreements, if necessary, before the signature of the Agreement.
Audit report on FS 2015	However, on the basis of the full actuarial study commissioned by Management in 2015, <u>we draw the Council's attention</u> to the fact that although some measures present a significant impact in terms of reducing the ASHI's liabilities in the short and mid-term, the measures mentioned in paragraph 53 are not expected to have a big effect in a long-term scenario.
N. 1 Audit report on FS 2014	Being not possible to directly compare the actuarial liabilities of ICAO with those of other Agencies, as stated above, <u>we draw the Council's attention</u> to the fact that it is difficult to undertake a direct comparative analysis between the ICAO underfunding and the one of other UN Agencies.
N. 2 Audit report on FS 2014	<u>We draw the Council attention</u>, to consider the first three drivers mentioned in paragraph 52 and how these drivers will influence the result of the "full actuarial study"; this study would provide information to the Council on which scenario will be the most suitable for ensuring the financial health of the ASHI and for affecting to minimum extent possible the core activity of the Agency. (See also Recommendation n. 2 in this regard).

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