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Doc 10175

Financial Statements and Reports of the External Auditor for the Financial Year Ended 31 December 2021



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

INTERNATIONAL CIVIL AVIATION ORGANIZATION



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

For ordering information and for a complete listing of sales agents and
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**Doc 10175, *Financial Statements and Reports of the External Auditor for the
financial year ended 31 December 2021***

Order Number: 10175

ISBN 978-92-9265-869-4 (print version)

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**FINANCIAL STATEMENTS AND
REPORTS OF THE EXTERNAL AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2021**

INTERNATIONAL CIVIL AVIATION ORGANIZATION

FINANCIAL STATEMENTS AND REPORTS OF THE EXTERNAL AUDITOR

FOR THE YEAR ENDED 31 DECEMBER 2021

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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 the ICAO financial statements for the year ended 31 December 2021 to the Council for consideration and recommendation to the Assembly for approval. As required by Article XIII to the Financial Regulations, the External Auditor's opinion and his report on the 2021 financial statements are also submitted to the Council and Assembly, as well as my comments (reflected in the Secretary General's Comments) thereon.

2. FINANCIAL OVERVIEW

2.1 The ICAO financial statements have been prepared on the accrual basis in accordance with IPSAS. Unless otherwise indicated, the financial statements and the accompanying notes disclosures, which form an integral part of these financial statements, and this report, are presented in the Canadian dollars (CAD).

2.2 The report summarizes and further explains key information provided in the ICAO financial statements and trends related to the financial position, financial and budget performance of the Organization for 2021.

2.3 **Statement I** presents the financial position of the Organization. It reports assets totalling CAD 325.8 million at 31 December 2021 (2020: CAD 336.4 million), mainly composed of cash and cash equivalents and investments amounting to CAD 284.2 million and of assessed contributions receivable from Member States totalling to CAD 18.7 million¹. Total liabilities amount to CAD 405.7 million (2020: CAD 440.9 million), which include an amount of CAD 166.2 million (2020: CAD 189.2 million) representing advanced receipts mostly for Technical Co-operation projects, and an amount of CAD 193.6 million (2020: CAD 219.7 million) representing the estimated liability for employee benefits, recognized in accordance with IPSAS. As at 31 December 2021, the current ratio remained at the level of 1.42 (2020: 1.41), indicating that ICAO has sufficient liquid resources to meet its current obligations.

2.4 **Statement II** presents the financial performance for the year 2021.

2.5 Total revenue decreased by CAD 14.9 million from CAD 246.5 million in 2020 to CAD 231.6 million in 2021, mainly due to a decline in voluntary contributions of CAD 7.0 million, change in fair value of donated right to use for the premises by CAD 2.5 million, and a reduction in exchange gains by CAD 1.7 million. In addition, there is also a presentation adjustment to assessed contributions revenue in 2021 for an amount of CAD 2.8 million in order to depict assessed contributions receivable and associated revenue at their fair value in compliance with IPSAS.

2.6 Total expenses showed a small reduction of CAD 2.0 million from CAD 244.6 million in 2020 to CAD 242.6 million in 2021, mainly driven by a decline in expenses related to project personnel (CAD 1.6 million) and travel costs (CAD 0.9 million).

¹ The amount of the long-term contributions receivable has been discounted for presentation purposes to comply with IPSAS.

2.7 Expenses exceeded revenue by \$11.1 million in 2021, compared with a surplus of \$1.9 million in 2020. The total 2021 shortfall mainly corresponded to the deficit in the Revolving Fund (CAD 10.3 million), the ARGF Fund (CAD 4.8 million²), and the AOSC Fund (CAD 4.6 million³). The overall deficit has been partially compensated by the surplus in the Regular Budget of CAD 7.4 million. Explanations on the financial results of the above Funds are provided in Section 4 below.

2.8 **Statement III** provides changes in net assets during the year. Reserves and accumulated deficit reduced by 23.6 per cent to CAD 79.9 million as at 31 December 2021 (2020: CAD 104.6 million). This difference is mainly attributable to the actuarial gain of CAD 36.2 million on After-Service Health Insurance (ASHI), which is offset by the deficit for the year of CAD 11.1 million.

2.9 **Statement IV** gives the breakdown of the cash and cash equivalents decrease by CAD 30.0 million from CAD 300.7 million at 31 December 2020 to CAD 270.7 million at 31 December 2021, comprised of a CAD 19.0 million decrease from operating activities, and a CAD 11.0 million decrease from investing activities.

2.10 **Statement V** shows a comparison between the Regular Budget 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 a 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.

2.11 In March 2020, the World Health Organization classified the outbreak of COVID-19 as a global pandemic. In response, ICAO activated the Business Continuity Plan (BCP) with teleworking and virtual meetings for most of the years 2020 and 2021 at the HQ and in most of the Regional Offices. Non-essential travel was suspended, and the work programmes were re-prioritized accordingly. The COVID-19 pandemic has led to additional uncertainty as to its impact on the declining global economic situation, at and after ICAO's reporting date, and ICAO continues to monitor the situation closely and to adjust business operations accordingly.

2.12 The liquidity crisis of 2020 did not repeat in 2021. The imposed restraints on spending stayed in place until the end of the first quarter of 2021, after which time consistent receipt of assessments from States allowed the restraints to be removed and implementation to normalize. Throughout 2021, the Secretariat applied sound financial management practices, including processes and controls designed to monitor and ensure that expenses stayed within the available financial resources. As a result, ICAO closed 2021 in a good cash position, despite not receiving one major contributor's payment before year end. The timely collection of assessed contributions remains a priority for sustaining ICAO's operations. Furthermore, in spite of the improvement in the assessment collections during 2021 compared to 2020, COVID-19 restrictions continued to impact implementation of the programme.

² ARGF deficit covered by ARGF accumulated surplus

³ AOSC deficit recovered from the AOSC accumulated surplus

3. BUDGET PERFORMANCE AND FINANCIAL HIGHLIGHTS

Appropriations for Regular Programme

3.1 The budgetary appropriations for 2021, in thousands of CAD, are summarized as follows:

| | |
|--|----------------|
| Original Appropriations | 106 946 |
| 2020 Outstanding Commitments | 9 690 |
| Carry-over from 2020 | 23 798 |
| Decrease of Appropriations | (11 100) |
| Approved Revised Appropriations | 129 334 |
| 2021 Outstanding Commitments | (17 634) |
| Carry-over to following year | (13 434) |
| Final Revised 2021 Appropriations | 98 266 |

3.2 **2020 Outstanding Commitments.** In accordance with Financial Regulation 5.7, an amount of CAD 9.7 million was approved by the Secretary General to supplement the 2021 appropriations, primarily for payment of outstanding commitments for the year ending as of 31 December 2020.

3.3 **Carry-over from 2020.** The year 2020 ended with a high level of unutilized appropriations for the year, resulting in a total of CAD 23.8 million being carried over to 2021. In accordance with Financial Regulation 5.6, the amount that the Secretary General was authorized to carryover to 2021 was CAD 12.7 million (maximum of 10 per cent) and the remaining balance of CAD 11.1 million was approved by the Council (C-DEC 223/11). The amount approved by the Secretary General was to supplement the 2021 appropriations, for mandatory and other mission-critical activities. The amount approved by Council, transferred to the Operational Reserve, was for activities contemplated under the Operational Plan (C-DEC 223/11).

3.4 **2021 Outstanding Commitments.** The value of obligations entered in 2021, but delivery against which is only expected in 2022, is CAD 17.6 million. Pursuant to Financial Regulation 5.7, an amount of CAD 17.6 million (also see Figure 1, column (e)), has been reserved and carried forward to 2022, in order to clear legal obligations incurred during 2021.

3.5 **Transfers.** In compliance with Financial Regulation 5.9, the Secretary General authorized the transfer of 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.

3.6 **Carry-over to Following Year.** Unutilized 2021 appropriations amounted to CAD 13.4 million, or 10.4 per cent of the Approved Revised 2021 Appropriations of CAD 129.3 million. 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, calculated at CAD 12.9 million. The remaining balance of CAD 0.5 million, which is in excess of the Secretary General's authority, will be presented to the Council for approval. Out of the amount of CAD 12.9 million, to date, the Secretary General has approved use of CAD 9.1 million for mission-critical and priority activities that have no funding provided in the 2022 budget, including those activities that had to be deferred due to unavoidable implementation delays in 2021. These include, among others, costs related to the implementation of activities defined in the Information Security Roadmap 2020-2022; the cybersecurity programme; the recommendations of the 2021 High Level Conference on COVID-19 (HLCC); USOAP's Continuous Monitoring Approach (CMA); and

ethics-related activities. In addition, CAD 3.8 million has been earmarked to cover anticipated costs associated with the upcoming Assembly, Digital Transformation, training and other activities.

3.7 As a result of the increases and transfers outlined in the preceding paragraphs, the final revised appropriation for the year amounted to CAD 98.3 million.

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

FIGURE 1

| | <u>2021 Budget¹</u> (a) | <u>Actual²</u> (b) | <u>Exchange Differences</u> (c) | <u>Actual at Budget Rate³</u> (d) = (b)+(c) | <u>2021 Outstanding Commitments</u> (e) | <u>Total</u> (f) = (d)+(e) | <u>Difference</u> (g) =(f)-(a) |
|--|---|----------------------------------|--|--|--|----------------------------------|--------------------------------------|
| REVENUE | | | | | | | |
| Assessed Contributions | 95 577 | 102 437 | (9 672) | 92 765 | | 92 765 | (2 812) |
| Other Revenue | | | | | | | |
| Transfer from ARGF Surplus | 9 648 | 9 648 | | 9 648 | | 9 648 | |
| Miscellaneous Income | 519 | 750 | | 750 | | 750 | 231 |
| Reimbursement from AOSCF | 1 202 | 1 202 | | 1 202 | | 1 202 | |
| | 106 946 | 114 037 | (9 672) | 104 365 | | 104 365 | (2 581) |
| EXPENSES | | | | | | | |
| Staff salaries and employment benefits | 100 877 | 92 237 | (6 912) | 85 325 | 7 208 | 92 533 | (8 344) |
| Supplies, consumables and others | 1 225 | 273 | (39) | 234 | 480 | 714 | (511) |
| General operating expenses | 20 592 | 11 402 | (318) | 11 084 | 9 920 | 21 004 | 412 |
| Travel | 4 177 | 852 | (34) | 818 | 0 | 818 | (3 359) |
| Meetings | 2 092 | 788 | (89) | 699 | 20 | 719 | (1 373) |
| Other expenses | 371 | 113 | (7) | 106 | 6 | 112 | (259) |
| Currency exchange difference | | 805 | (805) | | | | |
| | 129 334 | 106 470 | (8 204) | 98 266 | 17 634 | 115 900 | (13 434) |

¹ 2021 Budget include carryover approved by the Secretary General (and commitments) from prior year of CAD 22 388 thousand.

² From Table A, Financial Statements, excluding Working Capital Fund and Operational Reserve

³ Includes (1) budget exchange gain of CAD 9 672 thousand due to impact of US dollar transactions budgeted at USD1.00=CAD1.00, (2) currency exchange difference of CAD 7 399 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, and (3) currency exchange difference for the year of CAD 805 thousand for the General Fund.

3.9 **Explanation of Differences – Revenues.** The overall budget of CAD 106.9 million (Figure 1, column (a)) includes four main funding sources of the Regular Budget for 2021: Assessed Contributions, ARGF Surplus, Miscellaneous Income, and Reimbursement from the AOSC Fund. For the Assessed Contributions, the difference of CAD 2.8 million pertains to the discounted amount of the long-term contributions receivable. The difference in miscellaneous income represents the new rental lease arrangement with the European Civil Aviation Conference in 2021, and lower than budgeted interest earned.

3.10 **Explanation of Differences – Expenses.** The overall budget of CAD 129.3 million (Figure 1, column (a)) includes the 2021 original appropriations of CAD 106.9 million, the carry-over from 2020 as well as 2020 Outstanding Commitments of CAD 22.4 million.

3.11 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 (Figure 1, column (c)) are composed of the following:

- a) The exchange gain of CAD 9.7 million 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 2021 (the date when invoices were raised in USD) was higher than the rate used in the 2021 budget, resulting in a positive difference to total assessed contributions of CAD 9.7 million; and
- b) The exchange difference of CAD 7.4 million 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).

3.12 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 0.8 million (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

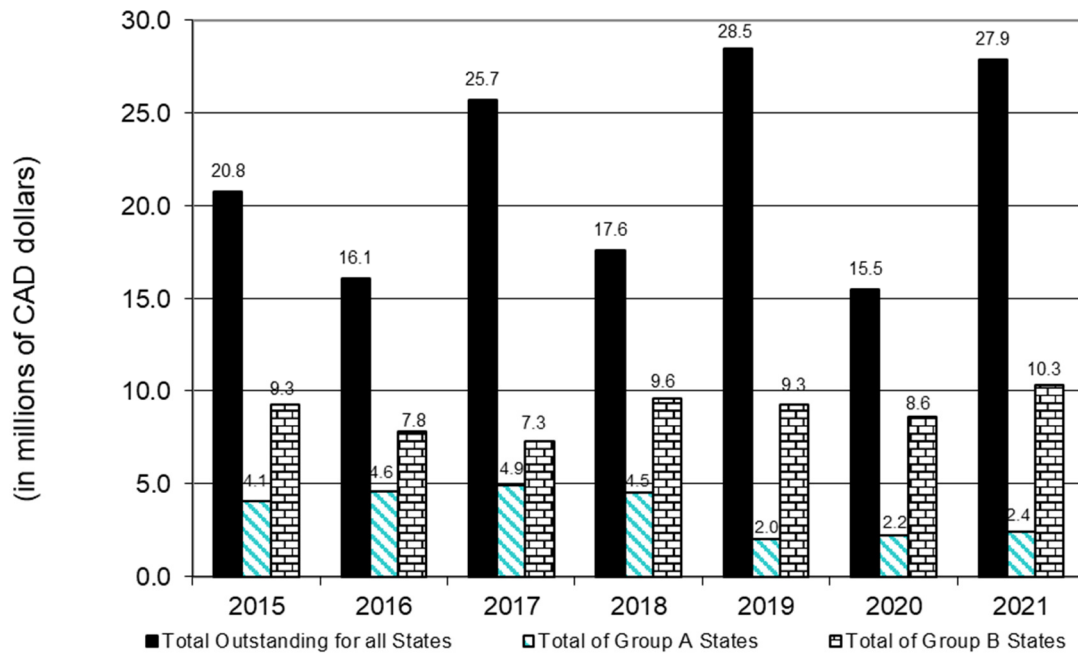
3.13 Assessments on Member States, and other estimated sources of revenue were established in Canadian dollars for 2008 and for 2009. In 2010, a split assessment was introduced, with approximately three quarters payable in Canadian dollars and one quarter payable in U.S. dollars. To ensure consistency and comparability between the approved budgets and the Accounts and Funds of the Organization, transactions are reflected in Canadian dollars, and the financial statements have been 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, relating to Technical Co-operation Projects, are recorded in U.S. dollars but are presented in Canadian dollars in the financial statements. During 2021, the rate of the Canadian dollar against the U.S. dollar fluctuated during the year to as low as 1.208 in June 2021, however, the rate was CAD 1.278 at the beginning of the year and CAD 1.281 at the end of the year.

Assessments and Other Voluntary Contributions

3.14 During the year 2021, assessments totalling CAD 89.6 million were received and a balance of CAD 15.6 million remained outstanding at the year-end against the current year's assessments. At the beginning of the year, CAD 14.8 million was receivable from States in respect to 2020 and prior years; payment of CAD 3.2 million was received, leaving a balance outstanding of CAD 11.6 million. The assessment receivable for all years totalled CAD 27.2 million as at 31 December 2021 (including the Working Capital Fund). CAD 27.2 million includes a USD assessment component converted at CAD 1.281 yielding a re-valued assessment receivable balance of CAD 27.9 million. 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 89.9 per cent. Figure 2 shows the status of the assessed contributions receivable at the end of each year since 2015.

FIGURE 2

Assessments Receivable from Member States as at 31 December 2021



3.15 Of the total outstanding contributions of CAD 27.9 million at 31 December 2021, CAD 11.6 million 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 2021 | Amount Outstanding as at 31 Dec 2021 | Number of States 2020 | Amount Outstanding as at 31 Dec 2020 |
|---|-----------------------|--------------------------------------|-----------------------|--------------------------------------|
| Group A: States that have concluded agreements with the Council to liquidate their arrears over a period of years | 6 | 2 437 | 8 | 2 202 |
| 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 | 17 | 10 314 | 14 | 8 641 |
| Group C: States with contributions in arrears for less than three full years | 12 | 1 830 | 7 | 954 |
| Group D: States with contributions outstanding only for the current year | 22 | 12 683 | 32 | 3 022 |
| Sub-total | 57 | 27 264 | 61 | 14 819 |
| The Former Socialist Federal Republic of Yugoslavia | - | 654 | - | 653 |
| Total Outstanding Contributions | 57 | 27 918 | 61 | 15 472 |

3.16 As at 31 December 2021, six 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 2021.

3.17 Major contributions (*) received for the Regular Budget and other Funds in the Regular Activities segment for 2021 are summarized in thousands of CAD below:

FIGURE 4

| Member State | Assessments Received for 2021 | Voluntary Contributions | Gratis Personnel | Donated Right to Use - Premises | Total |
|----------------------|--|------------------------------------|-----------------------------|--|----------------|
| Canada | 2 642 | 120 | | 22 872 | 25 634 |
| China** | 11 988 | 2 335 | 2 228 | | 16 551 |
| United States | 10 788 | 2 340 | 1 203 | | 14 332 |
| Japan | 6 989 | 224 | 250 | | 7 463 |
| France | 3 852 | 197 | 1 140 | 779 | 5 968 |
| Germany | 5 347 | | | | 5 347 |
| United Kingdom | 4 410 | 149 | | | 4 559 |
| Republic of Korea | 2 326 | 387 | 418 | | 3 131 |
| Brazil | 2 389 | | 699 | | 3 089 |
| Thailand | 610 | | | 2 300 | 2 911 |
| Italy | 2 568 | | | | 2 568 |
| Russian Federation | 2 347 | 5 | | | 2 352 |
| United Arab Emirates | 2 284 | | | | 2 284 |
| Turkey | 1 684 | | 360 | | 2 044 |
| Australia | 2 010 | | | | 2 010 |
| Spain | 1 873 | | | | 1 873 |
| Mexico** | 1 158 | 498 | 132 | | 1 787 |
| Singapore | 979 | 24 | 561 | | 1 564 |
| Netherlands | 1 505 | | | | 1 505 |
| Saudi Arabia | 1 095 | 63 | 291 | | 1 449 |
| | 68 843 | 6 342 | 7 284 | 25 952 | 108 421 |

(*) Twenty highest contributions (refunds not deducted)

(**) Includes contribution in cash towards the rental of the Regional Sub-Office in Beijing and the Regional Office in Mexico City.

3.18 Total expenses in 2021, including those for seconded staff, gratis personnel, and premises provided without charge, by Strategic Objective and Supporting Implementation Strategies 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 Developme nt of Air Transport | Environme ntal Protection | Supporting Strategy | Others | Total |
|---|---------------|--|---------------------------------|---|---------------------------------|------------------------|--------------------|----------------|
| Regular Budget | 32 115 | 20 247 | 14 343 | 4 740 | 5 353 | 28 867 | 939 ⁽¹⁾ | 106 604 |
| Voluntary Funds and other Regular Activity funds | 1 841 | 1 123 | 2 250 | 85 | 720 | 860 | 36 156 | 43 035 |
| Donated Right to Use - Premises | | | | | | 26 824 | | 26 824 |
| Gratis Personnel | 4 247 | 2 729 | 702 | 163 | | 1 130 | | 8 971 |
| Total Expenses | 38 203 | 24 099 | 17 295 | 4 988 | 6 073 | 57 681 | 37 095 | 185 434 |

(1): Includes the net exchange loss of CAD 781 thousand for Regular Budget and WCF and the expenses of the Operational Reserve Fund (CAD 158 thousand).

Accumulated Surplus/Deficit, Cash Surplus, and Reserves

3.19 The cumulative surplus, excluding reserves in Net Assets for the Regular Budget at 31 December 2021, reflected in Table A of Part IV to this document, amounted to CAD 26.5 million. Cumulative surplus less the Working Capital Fund balance of CAD 10.2 million and assessments receivable from Member States of CAD 27.2 million resulted in a cash deficit of CAD 11.0 million at 31 December 2021.

3.20 Reserved surplus for the Regular Budget totalling CAD 35.7 million includes an amount of CAD 31.1 million to finance 2021 outstanding commitments and appropriations carried over to 2022, plus an unrealized cumulative exchange gain of CAD 2.9 million, offset by an unrealized discount and provision on assessments receivable of CAD 9.2 million. Reserved surplus also includes a balance of CAD 10.9 million in the Operational Reserve under which the Council authorizes the use of the funds.

3.21 Combined net accumulated surplus and deficits of all of ICAO's Funds including reserves represent a deficit of CAD 79.9 million as at 31 December 2021. 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 due to the fact that the annual funding by the Regular Budget for these benefits is not sufficient to finance the annual accrued benefits. During 2021, the accumulated deficit of the Fund including reserves reached CAD 189.9 million at the end of the year as follows:

| | | |
|---------|--|-------------------|
| | Net Accumulated Deficit at end of 2020 | CAD 215.9 million |
| Add: | Employee benefits accrued during the year | CAD 14.1 million |
| Deduct: | Current service costs paid during the year | CAD 3.9 million |
| Deduct: | Actuarial gain on ASHI for 2021 | CAD 36.2 million |
| | Net Accumulated Deficit at end of 2021 | CAD 189.9 million |

3.23 The ASHI liability is very sensitive to changes in actuarial assumptions. The significant actuarial gain on ASHI was caused by the increase in the discount rate from 1.20 per cent in 2020 to 1.75 per cent, along with minor adjustments due to experience and alignment with the rest of the UN system on the mortality tables assumption. ICAO's actuary has monitored the key assumptions in light of information available relating to the impact of COVID-19. The ASHI claims from November 1, 2019 to October 31, 2021 were impacted by the pandemic, and the claims for this period were normalized based on AON's database of claims. As the short-term impact of the pandemic, such as excess mortality risk, is already reflected in the annual actuarial report, the actuary has not recommended any other specific changes in assumptions due to the pandemic.

3.24 The accumulated ASHI and other employee benefits liabilities remain unfunded and the pay-as-you-go approach continues for the present time, posing a long-term risk. The Secretariat will 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. In 2021, during deliberations by Council on possible uses of carry-over of unutilized appropriations, no amounts were approved to fund this liability.

Ancillary Revenue Generation Fund (ARGF)

3.25 ARGF reported an operating surplus of CAD 7.3 million in 2021. After transfers of the required contribution of CAD 8.1 million to the Regular Budget, further contribution of CAD 1.4 million to ICAO Work Programmes, and expenses of CAD 2.6 million approved from reserves, the net annual deficit amounts to CAD 4.8 million.

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 / (Deficit) |
|--|----------------|----------------|--------------------------------|
| Publications and Digital Content Sales | 5 272 | 1 718 | 3 554 |
| Printing and Distribution Services | 1 204 | 1 331 | (127) |
| Events | 323 | 780 | (457) |
| Training (incl. TRAINAIR PLUS) | 5 838 | 5 754 | 84 |
| Licensing | 3 162 | 264 | 2 898 |
| Delegation and Conference Services | 2 797 | 2 001 | 796 |
| New Products | 1 522 | 578 | 944 |
| ARGF Operations and Admin. Fee & Support Costs | 345 | 735 | (390) |
| Commissariat | 149 | 140 | 9 |
| Operating Results | 20 612 | 13 301 | 7 311 |
| ARGF Inter-billing Elimination | (812) | (812) | 0 |
| | 19 800 | 12 489 | 7 311 |
| Amount Transferred to Regular Budget | | 8 081 | (8 081) |
| Further Contribution to ICAO Work Programmes | | 1 359 | (1 359) |
| | 19 800 | 21 929 | (2 129) |
| Expenses approved from reserves | | 2 623 | (2 623) |
| Net deficit for the year | 19 800 | 24 552 | (4 752) |

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 | 20 612 | 25 168 | (4 556) |
| Expense | 13 301 | 16 954 | 3 653 |
| Surplus/(deficit) | 7 311 | 8 214 | (903) |

3.28 The ongoing COVID-19 pandemic's direct impact on the aviation industry continued to negatively affect the ARGF's performance in this reporting period. In 2021, ARGF operating revenue was lower by CAD 4.6 million than planned, and accounted to CAD 20.6 million (82 per cent of the budget). Actual expenses of CAD 13.3 million (78 per cent of budget), were CAD 3.7 million lower than budgeted. This resulted in an operating surplus of CAD 7.3 million (89 per cent of the budget).

3.29 The cumulative surplus for ARGF at 31 December 2021 reflected in Table A of Part IV to this document is CAD 0.1 million:

| | 2021 | 2020 |
|--|---------------|---------------|
| Accumulated surplus as at 1 January | 13 773 | 18 620 |
| Revenue | 19 800 | 20 290 |
| Expenses | 24 552 | 25 137 |
| Net surplus / (deficit) for the year | (4 752) | (4 847) |
| Sub-total accumulated surplus / (deficit) as at 31 December | 9 021 | 13 773 |
| Restricted surplus | | |
| Operational reserve | 4 771 | 5 903 |
| Contribution to Regular Budget | 1 567 | 3 133 |
| Earmarked for special projects | 1 478 | 3 701 |
| Restricted surplus to protect risks due to COVID | 1 122 | 989 |
| Sub-total restricted surplus | 8 938 | 13 726 |
| Adjusted surplus / (deficit) as at 31 December | 83 | 47 |

Administrative and Operational Services Cost Fund (AOSC)

3.30 The AOSC Fund is established to meet the cost of administration and operation of ICAO's Technical Co-operation Programme, and is primarily financed from support costs charged to Technical Co-operation Projects, which are managed under various Trust Fund Agreements, Management Service Agreements (MSA), Civil Aviation Purchasing Services Agreements (CAPS) and ICAO Implementation Package (iPacks) developments and deployments. 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 Co-operation Bureau 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 disburse, 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 expenditure for the TCB Efficiency and Effectiveness Fund amounted to CAD 0.2 million in 2021, and the accumulated surplus stood at CAD 1.1 million as at 31 December 2021.

3.32 In addition, a Special Reserve Fund ("SRF") was established (C-DEC 200/2) for the Technical Co-operation 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 3.37. In this regard, no amount had been drawn from the SRF since its inception in 2014 due to the AOSC Fund's income levels during the reporting periods. The SRF's balance, which stood at CAD 2.6 million as at 31 December 2019, was automatically transferred to the AOSC accumulated surplus at the closing of the triennium. Due to the shortfall in the AOSC Fund's results in 2020 and in the current reporting period, the SRF has not been replenished and its balance, therefore, is nil as at 31 December 2021. The annual transfer to the Regular Budget has been covered from the AOSC accumulated surplus as per the approved reimbursement mechanism.

FIGURE 8
AOSC Fund Budget and Expenditures for 2021¹

| | | | |
|--|-----------------------------|-----------------|-----------------|
| AOSC budget estimates submitted to Assembly ² | 10 677 | | |
| | Forecast³ | Actual | Variance |
| Budget / Income | 5 354 | 5 241 | (113) |
| Expenditures | 9 501 | 9 599 | 98 |
| Surplus / (deficit) for the year | (4 147) | (4 358) | (211) |

¹Excludes TCB Efficiency and Effectiveness Fund (total expenses in CAD 0.2 million for the year 2021) and SRF;

²Approved by the Assembly in 2019 (A40);

³Noted by the Council during its 224th Session (C-WP/15237).

3.33 As indicated above, the Assembly approved the indicative budget estimates of the AOSC Fund amounting to CAD 10.7 million for the financial year 2021. During the year, pursuant to Financial Regulation 9.5, the Secretary General submitted to the Council an update of the 2021 Estimates for income (CAD 5.4 million) and expenditure (CAD 9.5 million) in C-WP/15237.

3.34 The actual AOSC Fund⁴ financial performance showed a shortage of CAD 0.1 million in AOSC income versus the revised budget (224th Session), mainly as the result of a decrease in administrative income from a lower technical co-operation implementation volume, and a slight increase in expenses by CAD 0.1 million, mainly due to an increase in staff costs. The above resulted in the amount of CAD 4.4 million excess of expenses over income recovered from the AOSC accumulated surplus which stood at CAD 8.1 million as at 31 December 2021.

⁴ Excludes TCB Efficiency and Effectiveness and Special Reserve Funds

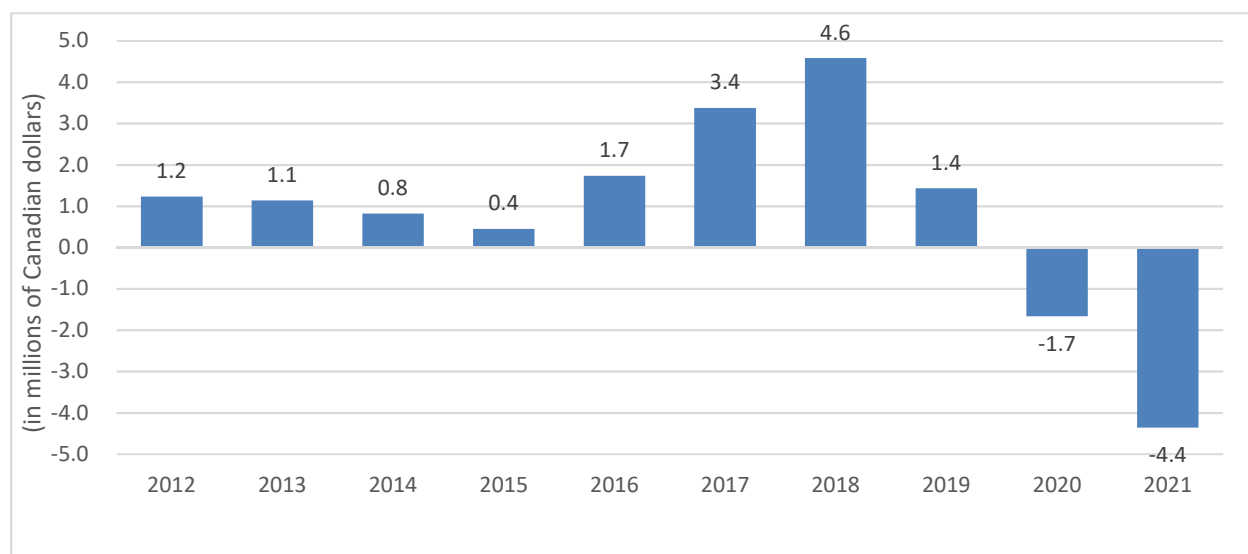
3.35 The cumulative surplus for AOSC at 31 December 2021, reflected in Table A of Part IV to this document, is CAD 8.1 million:

| | 2021 | 2020 |
|--|----------------|----------------|
| Accumulated surplus as at 1 January | 13 781 | 15 628 |
| Revenue | 5 241 | 8 501 |
| Expenses | 9 805 | 10 348 |
| <i>Net surplus / (deficit) for the year</i> | <i>(4 565)</i> | <i>(1 847)</i> |
| Sub-total accumulated surplus / (deficit) as at 31 December | 9 217 | 13 781 |
| Restricted surplus | | |
| Efficiency and Effectiveness Fund surplus | 1 070 | 1 277 |
| Special Reserve Fund | 0 | 0 |
| Sub-total restricted surplus | 1 070 | 1 277 |
| Adjusted surplus / (deficit) as at 31 December | 8 147 | 12 504 |

3.36 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



3.37 During the 37th Session of the Assembly, the Administrative Commission recommended that the question of sharing costs between the Regular Budget and the Technical Co-operation Programme be reported to the Council for review. The Council considered this issue and, based on a time survey, approved in 2012 the amount of CAD 1.2 million to be recovered annually by the Regular Budget from the AOSC Fund for Regular Budget support directly related to projects continuing for the 2020-2022 triennium.

Technical Co-operation Programme

3.38 The Technical Co-operation Bureau manages the Technical Co-operation Programme, a permanent priority activity of ICAO which complements the role of the Regular Programme by supporting Member States in their implementation of ICAO regulations, policies and procedures as stated in Assembly Resolution A36-17. Through this Programme, ICAO provides a broad spectrum of services, including: assistance to States in the review of the structure and organization of national civil aviation institutions; updating the infrastructure and services of airports; facilitating technology transfer and capacity building; promoting ICAO Standards and Recommended Practices (SARPs), and 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.

3.39 A rolling three-year Operating Plan for TCB is prepared in close coordination with the Technical Co-operation Committee, setting the goals and strategies to be followed during the current period, with the aim of improving the governance, efficiency and quality of ICAO Technical Co-operation Programme activities. Consequently, continued efforts are being undertaken to ensure the sustained improvement of the AOSC financial situation through the diversification of TCB's products and services (i.e., iPacks), enhanced collaboration with ROs leading to the identification of short-, medium-, and long-term opportunities for project implementation, increased implementation support through the alignment of technical assistance and technical co-operation activities, the review of TCB's organizational structure in line with its Business Model, and the introduction of cost savings and efficiency measures.

3.40 Technical Co-operation Projects represent one of the main activities of the Organization. Projects are financed by governments and other donors, with inflows of CAD 73.0 million and outflows of CAD 72.2 million in 2021. These results are considerably less than the average achieved in the last triennium (2017-2019), which is the result of numerous projects being delayed or cancelled altogether due to the pandemic and changes to governments' priorities. Tables C to E in Part IV of this document provide more details on TC projects, summarized by the following figures in millions of CAD.

FIGURE 10

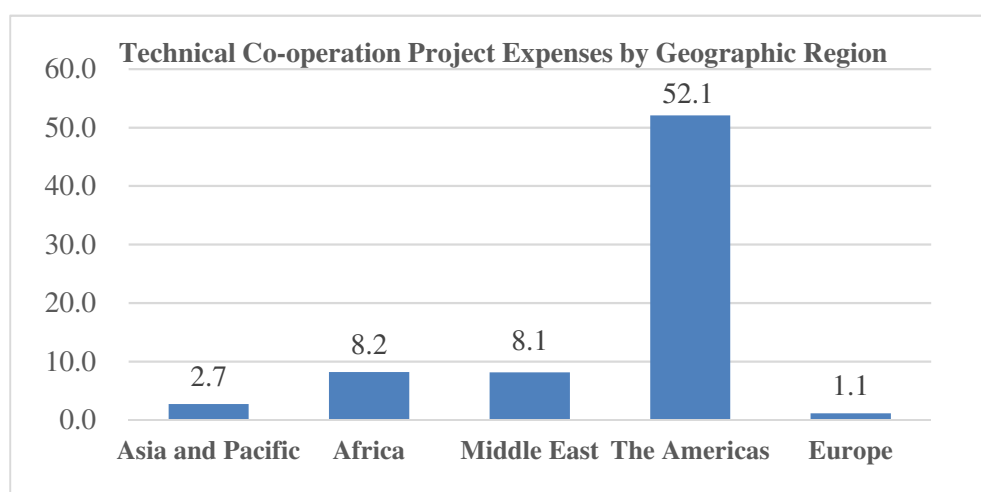
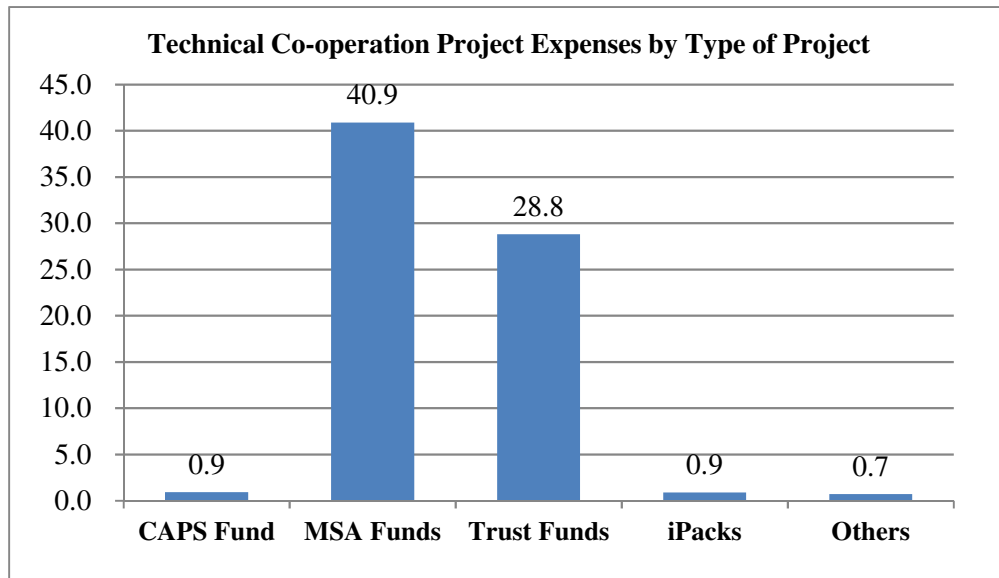


FIGURE 11

4. **RESPONSIBILITY OF MANAGEMENT**

Pursuant to the ICAO Financial Regulation 12.1, the Secretary General is required to submit annual financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) adopted by the United Nations organizations. The financial statements include: Statement of Financial Position (Statement I), Statement of Financial Performance (Statement II), Statement of Changes in Net Assets (Statement III), Statement of Cash Flow (Statement IV) and Statement of Comparison of Budget and Actual Amounts (Statement V). The financial statements also include the status of Regular Budget appropriations and credits not budgeted for by the Assembly are reflected in this document.

Management is responsible for the preparation, integrity and objectivity of the financial information included in the financial statements. These statements have been prepared in accordance with the IPSAS, and include certain amounts that are based on management's best estimates and judgements. Financial information contained throughout this document is consistent with that in the audited financial statements. Management considers that the financial statements present fairly the Organization's financial position, financial performance and its cash flows, and that the information disclosed in the document is presented in accordance with IPSAS and 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 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.

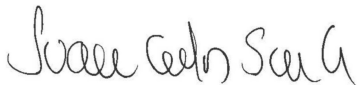
As Chief, Finance Branch of the International Civil Aviation Organization, I hereby certify, that to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the Financial Statements included in this document.



31 March 2022

Olga Nam
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 2021.



Juan Carlos Salazar
Secretary General

Montréal, Canada
31 March 2022

Statement on Internal Control (SIC)

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. The system of internal control is designed to manage and mitigate to an acceptable level the key risks that may adversely impact the achievement of the Organization's mandate, Strategic Objectives and goals. Therefore, the Statement on Internal Control (SIC) can only provide a reasonable and not absolute assurance on the effectiveness of the system of internal controls. It is based on an ongoing process designed to identify the key risks, evaluate the nature and extent of those risks and manage these efficiently and effectively.

3. The internal control function is a key role of management and an integral part of the overall process of managing operations, which includes to:

- establish an environment and culture that promotes effective internal control;
- identify and assess risks that may affect the achievement of objectives;
- specify and implement policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with any risk exposure identified;
- ensure an effective flow of information and communication so that all personnel have the information they need to fulfil their responsibilities; and
- monitor the effectiveness of the internal control system.

4. ICAO's internal control system applies to all levels of the Secretariat through a set of internal control processes so as to ensure that the Strategic Objectives are achieved.

5. The following provides an overview of actions undertaken to solidify the internal control processes and systems in support of the responsibilities outlined in paragraph 3 above.

Establishment of an environment and culture that promote effective internal control:

6. The conduct and actions of ICAO staff must always adhere to the highest ethical standards, as set out in ICAO's Framework on Ethics. This Framework is kept up-to-date and revised as and when required, as external and internal factors change. The last revision was on 23 June 2021, as approved by the Council. Ethics training continued in 2021 and is provided to all staff through the Bureau of Administration and Services (ADB). Close to 60 per cent of staff have fully completed, with another 40 per cent in the process of completing, the mandatory training on sexual harassment at the end of 2021. Members of senior management also attended an ethical leadership training from the UN System Staff College (UNSSC). ICAO further launched the first "Leadership Dialogue", a yearly initiative developed by the United Nations Secretariat to engage managers in conversation with their direct reports related to the ethical challenges staff face in their day-to-day work.

7. ICAO's new Procurement Code was updated in late 2021 and includes a robust delegation model for procurement authority as well as additional controls and reporting. An Individual Procurement Plan,

along with the Code, provide the way of conduct for staff involved in procurement actions representing important control processes.

8. Since I joined ICAO as its Secretary General on 1 August 2021, I have been setting the tone at the top to improve the current control environment by taking a series of measures including improving communication with staff through regular town hall meetings, taking decisive action on disciplinary processes following investigations on cases of misconduct, and holding management accountable for risk management and internal controls. This day-to-day operational style and commitment to upholding ethical values and principles at all times will further help build a strong risk culture and control environment within ICAO.

9. One area of internal weakness and a key risk for ICAO is the application of and training on the Anti-Fraud and Anti-Corruption (AFAC) Policy which was updated in late 2021. ADB was assigned in February 2022 to develop and implement the appropriate fraud prevention, detection, response and data collection procedures and processes in the Organization to reflect ICAO's updated AFAC Policy and governance framework.

10. Another control area that can be improved is more timely implementation of recommendations of internal and external audit and other internal control assessments to ensure recommendations arising from internal or external audits are acted upon in a timely manner. Together with the Office of Internal Oversight (OIO), I will work with the Bureaus/Offices in 2022 to enforce prompt actions to address internal control weaknesses identified in audit reports.

Identification and assessment of risks that may affect the achievement of the Strategic Objectives:

11. ICAO's Enterprise Risk Management (ERM) Framework follows the International Organization for Standardization ISO 31000 Standard and Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework and sets out the objectives and principles of risk management, its roles and responsibilities, the processes as well as monitoring and review of risks, including risk documentation. A key component of the Framework is the risk register process that was introduced in 2020 to provide a coordinated, structured and methodical approach to managing risks. Risk registers are maintained at two levels: (1) ICAO-wide level risks are reported to the Council ("Corporate Risk Register"), and (2) at the Bureau/Office level where risks are mitigated and monitored by each Bureau/Office.

12. The ERM Reference Group which comprises of Directors of Bureaus and Heads of Offices directly reporting to the Secretary General, provides oversight and guidance on the ERM Framework and its implementation since 2020.

13. ICAO continues to work closely with other entities of the United Nations system to ensure a continuous improvement of its ERM Framework, taking into account best practices and lessons learnt from other UN entities.

14. The Framework is supported by a range of assertions confirmed by senior managers on key internal controls and compliance with policies, procedures and processes underpinned by appropriate ethical values documented in the Management Assurance Statement and Declaration (MASD) self-assessment questionnaires and demonstrated in ICAO's day-to-day operations. As in previous years, senior management has submitted MASDs on the effectiveness of internal controls in their areas of responsibility. For 2021, the MASDs have been revised to provide further assurances by the Bureaus/Offices demonstrating evidence of implementation of internal controls to better align with the risk findings from the internal and external auditors.

15. The year 2021 represented a period of significant uncertainty and disruption globally. The COVID-19 pandemic has aggravated the challenges faced by the aviation sector worldwide. At the organizational level, as the Chairperson of the ERM Reference Group, I manage the Organization's overall risk portfolio as outlined in the Corporate Risk Register. High priority risks and appropriate responses have been reviewed regularly and reported to Council.

16. In addition, control weaknesses identified in individual internal oversight reports, referred to in the 2021 Annual Report of the Office of Internal Oversight (C-WP/15328) to the Council, and reports issued by the External Auditor are addressed through corresponding Secretariat Action Plans that are regularly monitored by respective oversight units.

17. The key risks faced by ICAO in 2021 and corresponding mitigation actions are summarized in the following four risk categories:

17.1. Strategic Risk: Throughout 2021, the pandemic has placed additional pressure on approved regular programmes not meeting the operating plan targets and hindered the Technical Co-operation Programme's implementation, resulting in an operating deficit in the Administrative and Operational Services Cost Fund (AOSC).

Control and mitigation: Ongoing mitigation actions were reviewed in 2021 but not fully implemented due to competing priorities and ongoing limitations imposed as a result of the pandemic. It was agreed that starting in the 226th session of the Council, every Council working paper with proposed actions for the Secretariat will include a budget estimate for work that is outside the scope of work funded by Regular Budget; this measure aims to facilitate adjustments to priorities in order to accommodate new work while ensuring ICAO's operating plan targets are still met. In addition, TCB implemented various marketing actions and training programs in 2021 to generate additional revenue, and put in place cost-saving measures, resulting in a deficit that was not as severe as originally predicted.

17.2. Operational Risk: Information security and Information Communications Technology (ICT) risks remain a serious concern for the Organization. Current disaster recovery (DR) backup and IT support for applications developed in-house do not meet the business recovery time objectives, and misuse of confidential information continues to be a top ICT risk that is closely monitored. ICAO is also exposed to cyber-threats/cyber-attacks causing potential major impacts to ICAO's reputation, financial viability, and level of confidence from Member States. ICAO continues to face challenges in the area of organizational management and culture, specifically in attracting, retaining and developing talent, filling vacancies, and ensuring smooth succession. In addition, the use of non-staff personnel over the long term (consultants/secondments) to perform core activities, coupled with insufficient workforce planning, are resulting in potential stoppages in projects/programmes. Other operational risks include the unauthorized use, and limitations on the effective protection, of ICAO's intellectual property.

Control and mitigation: A summary list of the key in-house applications with the business' recovery time objectives was created and funding was provided in 2021 to develop a DR plan. In the context of the digital transformation initiative, ICAO is expected to outsource DR to the United Nations International Computing Centre (UNICC) starting in 2022. ICAO has contracted a consulting company at the end of 2021 to implement the Information Security Roadmap over the next three years; and the cyber risk will be lowered gradually when other initiatives are completed. The human resources (HR) risks have been partially mitigated by updating the scale of remuneration for consultants in 2021 to ensure consistency with those applicable in the UN system. HR risks, including more detailed mitigating actions will be further addressed as part of the review of a comprehensive HR strategy by the end of 2022. Lastly, a technical solution was developed in late 2021 to protect ICAO's intellectual property and publications, and further mitigation on

access controls, subscriptions, and managed access (license) is planned for implementation closer to the end of 2022.

17.3 Compliance/Legal Risk: Potential breaches of obligations in terms of upholding ethical behaviours, principles, and standards of conduct, potential procurement conflicts of interest due to staff not adhering to the Procurement Code, and insufficient resources to implement the Anti-Fraud and Anti-Corruption (AFAC) Policy could lead to potential unethical, fraud, and corruption activities. Another compliance risk is external – whereby 150+ States have not ratified the Beijing Convention of 2010, the Beijing Protocol of 2010, and the Montreal Protocol of 2014 - resulting in ICAO being unable to establish a global framework to effectively deal with emerging aviation threats.

Control and mitigation: New ethics staff training was created in 2021 and ICAO signed the Memorandum of Understanding (MOU) with the United Nations Office of Internal Oversight Services on January 20, 2022 for the provision of investigative services. The Procurement Code was updated in late 2021, which included online training that is now available on an ongoing basis. The Bureau of Administration and Services (ADB) continues to monitor and report on any procurement breaches with investigations being outsourced to the OIOS. ADB was assigned the owner of the new AFAC Policy in early 2022 and will be responsible for developing an implementation plan along with staff training starting in 2022 and beyond to ensure appropriate controls will be in place to mitigate risks. Funding for outreach activities to support ratification of pending treaties was provided in 2021 but not implemented due to the pandemic resulting in postponement of these planned activities. In the meantime, the Secretary General and the President of the Council will continue to promote ratification of these treaties. The Legal Affairs and External Relations Bureau (LEB) will also continue to increase ICAO's outreach to States through online regional seminars and workshops.

17.4 Financial Risk: The following matters contribute to potential financial risk: 1) Member States not paying assessments on time or putting conditions before paying and thereby not following their legal obligations under the Chicago Convention represent a financial risk ; 2) Lack of funding for the long-term After Service Health Insurance (ASHI) for current and retired staff which has been an outstanding external auditor risk finding for the last two years; and 3) inadequate policies/governance and related procedures to recover all the costs of providing services under various arrangements that are outside the Regular Budget activities.

Control and mitigation: The Secretary General will continue to promote enforcement of Articles 61 and 62 of Chicago Convention and Article 6.5 a) of the Financial Regulation and monitor and follow-up with States on the status of the assessments. The ASHI liability for ICAO continues to grow and requires Council to agree in principle on how to fund the ASHI long-term liability, which is dependent on related developments within the UN system. ICAO has contracted a consultant to define the system, method, and process for cost recovery activities with a cost recovery policy to be developed by the end of 2022.

Specification and implementation of policies, plans, operating standards, procedures, systems and other control activities to manage the risks associated with any risk exposure identified:

18. During 2021, the Organization continued its virtual working environment as a result of the COVID-19 pandemic. Control activities continued to be undertaken virtually ensuring the control environment was maintained. Some major achievements included an updated Procurement Code, Anti-Fraud and Anti-Corruption Policy, and Information Security Administrative Instructions and other issuances that were adopted by the Organization to strengthen the control environment at ICAO; provide the discipline and structure to promote ethical principles, values and standards of conduct; reinforce oversight responsibilities, and develop staff to ensure suitable skilled staff can deliver the expected results and assume personal accountability.

19. In addition, over the past year, the Secretariat continued to build an internal controls library for risk mitigation. Sixty process level controls have been built to date, which represent management controls that ensure the effective and efficient functioning of end-to-end business processes and compliance with the ERM Framework. These controls are assessed annually for applicability, strength, and level of documented evidence in the Corporate Risk Register. ICAO will continue to build its risk culture and integrate risk management in ICAO programmes, processes and activities to improve its risk and internal control capabilities.

Ensure an effective flow of information and communication so that all ICAO personnel have the information they need to fulfil their responsibilities:

20. The ERM Reference Group and Council are kept informed of risks and controls through the Corporate Risk Register. Quarterly reporting on the status of the corporate and Bureau/Office's high and medium rated risks will be implemented and reported at the Senior Management Group (SMG) meetings starting in the second quarter of 2022. The High Level Committee on Risk Management, UN governing bodies, and auditors provide ongoing risk intelligence and independent advice to ensure a comprehensive view and risk accountability at ICAO.

21. Work was started in 2021 to develop a 2023-2025 Business Plan through the implementation of a Results Based Management (RBM) approach which led to a leaner and enhanced Business Plan results framework. Involvement of relevant stakeholders in preparing the Business Plan and in formulating the results were positively noted by the OIO. To increase accountability on the results to be achieved, work is currently underway to update and improve the 2023-2025 Business Plan Key Performance Indicators (KPIs). The implementation of a robust Performance Monitoring Framework as part of the 2023-2025 Business Plan should go hand in hand with the implementation of the ERM Framework, which aims to strengthen an organization-wide culture whereby risks are identified and mitigated. Further mainstreaming of both RBM and ERM will require active involvement and buy-in 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 the implementation of an accountability framework that is currently in early stages of development.

Monitoring the effectiveness of the internal control system:

22. My review of the effectiveness of the system of internal control is mainly informed by:

- a) The Directors of Bureaus and Heads of Offices who play an important role in the system of internal control and are accountable, within the delegated authority, for organizational expected results, program performance, managing their Bureaus/Office activities, and safeguarding the resources entrusted to them. Reliance is placed on the senior managers' personal written attestation in the MASD self-assessment questionnaires submitted for the year 2021, which identified control issues and remedial actions taken, and concluded on the effectiveness of the internal controls in their areas of responsibility. Additionally, reliance is placed on information shared during meetings held by the Senior Management Group (SMG) and the full SMG (FSMG) of the Secretariat including Regional Office Directors.
- b) The audit, evaluation and advisory reports of the OIO and the External Auditor, who provide reports on both the compliance of the accounts with the financial regulations and on the governance, risk management and internal controls as well as operational performance of selected areas of ICAO. These reports provide independent and objective information on

compliance and program effectiveness, together with recommendations for addressing risks and achieving operational improvements;

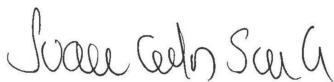
- c) The Ethics Officer, who provides advice and guidance to the Organization and its staff on ethics and standards of conduct, promotes ethical awareness, administers the policy for the protection of staff against retaliation and administers the financial disclosure and conflict of interest declaration programme;
- d) The Evaluation and Audit Advisory Committee (EAAC) who reviews the accounting and financial reporting process, the system of internal control, the risk and audit process, and the compliance with financial regulations and rules to advise the Council (Annual Report of the EAAC (C-WP/15267) refers); and
- e) Council's observations and decisions.

23. Furthermore, complaint investigations have been outsourced to the OIOS, and informal and formal conflict resolution mechanisms are now in place through a system of internal administration of justice.

24. A system of internal control, no matter how well designed, has however 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.

Statement

25. Based on the contents of this statement and the evidence that underpins it, I consider that, to the best of my knowledge and information, there have been no material weaknesses that would affect the reliability of the Organization's financial statements, nor are there significant matters arising which would need to be raised in the present document pertaining to the financial year 2021.



Juan Carlos Salazar
Secretary General
Montréal, Canada
30 March 2022

PART II: OPINION OF THE EXTERNAL AUDITOR



Ref. 939.21492.003

External Auditor's Report

To the Assembly of the International Civil Aviation Organization (ICAO)

Report on the audit of the financial statements

Opinion

The Swiss Federal Audit Office (SFAO) has audited the financial statements of the International Civil Aviation Organization (ICAO), which comprise the Statement of financial position as at 31 December 2021, 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 amounts for the year then ended, and the Notes to financial statements, including a summary of the significant accounting policies.

In the opinion of SFAO, the financial statements fairly present, in all material aspects, the financial position of ICAO as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the ICAO Financial Regulations.

Basis for opinion

SFAO conducted its audit in accordance with the International Standards on Auditing (ISA). Its responsibilities under those standards are further described in the section "Responsibilities of the External Auditor for the audit of the financial statements" of this report. SFAO is independent of ICAO in accordance with the rules of professional conduct that are relevant to the audit of financial statements in Switzerland, and it has fulfilled its other ethical responsibilities in accordance with these requirements. It believes that the audit evidence it has obtained is sufficient and appropriate to provide a basis for its opinion.

Other information

The Secretary General is responsible for the other information in the financial report. The other information comprises all information included in the financial report, but does not include the financial statements (part III of the financial report) and the External Auditor's reports thereon (parts II and V of the financial report).

The External Auditor's opinion on the financial statements does not cover the other information in the financial report and SFAO does not express any form of assurance conclusion thereon.

In connection with its audit of the financial statements, SFAO's responsibility is to read the other information in the financial report and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or its knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work it has performed, SFAO concludes that there is a material misstatement of this other information, it is required to report that fact. SFAO has nothing to report in this regard.

Responsibilities of the 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 IPSAS and the ICAO Financial Regulations, 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 ability of ICAO to continue as a going concern and 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 organisation 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.

Responsibilities of the External Auditor for the audit of the financial statements

The External Auditor's 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 its opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISA, SFAO exercises professional judgement and maintains professional scepticism throughout the audit. In addition, SFAO also:

- Identifies and assesses the risk of material misstatements of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for its 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.
- Obtains 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.
- Evaluates the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made.
- Concludes on the appropriateness of the Secretary General's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related

to events or conditions that may cast significant doubt on ICAO's ability to continue as a going concern. If SFAO concludes that a material uncertainty exists, it is required to draw attention in its auditor's report to the related disclosures in the notes to the financial statements or, if such disclosures are inadequate, to modify its opinion. Its conclusions are based on the audit evidence obtained to the date of the auditor's report. However, future events or conditions may cause ICAO to cease to continue as a going concern.

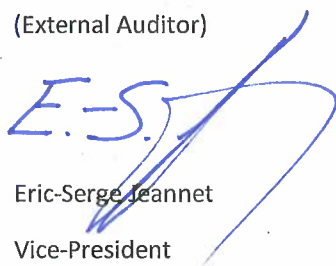
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

SFAO communicates with the Secretary General and the Evaluation and Audit Advisory Committee (EAAC) of ICAO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that it identifies during its audit.

Berne, 19 April 2022

SWISS FEDERAL AUDIT OFFICE

(External Auditor)



Eric-Serge Jeannot

Vice-President



Martin Köhli

Head of Competence Centre

PART III: FINANCIAL STATEMENTS

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT I
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021
(in thousands of Canadian dollars)

| | Notes | 2021 | 2020 (restated) |
|--|---------|-----------------|--------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 2.1 & 9 | 270 733 | 300 757 |
| Investments | 2.1 | 13 498 | 3 224 |
| Assessed contributions receivable from Member States | 2.2 | 14 568 | 4 081 |
| Receivables and advances | 2.3 & 9 | 11 916 | 12 483 |
| Inventories | 2.4 | 457 | 617 |
| Others | 2.3 | 1 552 | 1 251 |
| | | 312 724 | 322 413 |
| NON-CURRENT ASSETS | | | |
| Assessed contributions receivable from Member States | 2.2 | 4 153 | 5 006 |
| Receivables and advances | 2.3 | 212 | 259 |
| Property, plant and equipment | 2.5 | 5 071 | 5 761 |
| Intangible assets | 2.6 | 3 632 | 2 923 |
| | | 13 068 | 13 949 |
| TOTAL ASSETS | | 325 792 | 336 362 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Advanced receipts | 2.8 | 166 217 | 189 160 |
| Accounts payable and accrued liabilities | 2.9 | 44 277 | 30 535 |
| Employee benefits | 2.10 | 8 901 | 7 985 |
| Credits to contracting/servicing governments | 2.11 | 1 604 | 1 594 |
| | | 220 999 | 229 274 |
| NON-CURRENT LIABILITIES | | | |
| Employee benefits | 2.10 | 184 739 | 211 685 |
| | | 184 739 | 211 685 |
| TOTAL LIABILITIES | | 405 738 | 440 959 |
| NET ASSETS | | | |
| Accumulated deficit | 2.12 | (88 260) | (75 662) |
| Reserves | 2.12 | 8 314 | (28 935) |
| | | (79 946) | (104 597) |
| NET ASSETS (ACCUMULATED DEFICIT) | | (79 946) | (104 597) |
| TOTAL LIABILITIES AND NET ASSETS | | 325 792 | 336 362 |

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 2021

(in thousands of Canadian dollars)

| | Notes | 2021 | 2020 (restated) |
|---|---------|-----------------|--------------------|
| REVENUE | | | |
| Contributions for project agreements | 3.2 & 9 | 73 339 | 74 869 |
| Assessed contributions | 3.2 | 102 437 | 103 049 |
| Other revenue producing activities | 3.2 | 19 426 | 19 633 |
| Other voluntary contributions | 3.2 & 9 | 33 803 | 43 360 |
| Administrative fee revenue | | 343 | 1 143 |
| Other revenue | 3.2 | 2 217 | 4 417 |
| TOTAL REVENUE | | 231 565 | 246 471 |
| EXPENSES | | | |
| Salaries, employee benefits and project personnel | 3.3 | 157 346 | 159 104 |
| Subcontracts, supplies and consumables | 3.3 | 35 333 | 36 685 |
| General operating expenses | 3.3 & 9 | 46 022 | 44 860 |
| Travel | 3.3 | 1 462 | 2 329 |
| Meetings | | 789 | 491 |
| Training | | 429 | 92 |
| Other expenses | 3.3 | 1 249 | 1 021 |
| TOTAL EXPENSES | | 242 630 | 244 582 |
| SURPLUS/(DEFICIT) FOR THE YEAR | | (11 065) | 1 889 |

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 2021
(in thousands of Canadian dollars)

| | Notes | Accumulated Deficit | Reserves | Net Assets (Net Accumulated Deficit) |
|---|-------|------------------------|------------------|--|
| Balance at 31 December 2019 | | (71 540) | 3 107 | (68 433) |
| Movements in fund balances and reserves in 2020 | | | | |
| Variation to carry forward balance | 2.12 | (9 822) | 9 822 | |
| Variation of actuarial gain/(loss) on ASHI | 2.10 | | (38 055) | (38 055) |
| Adjustment on ARGF operational reserve | 2.12 | 327 | (327) | |
| Utilization of ARGF restricted surplus | 2.12 | 4 319 | (4 319) | |
| Variation of unrealized losses | 2.12 | (834) | 834 | |
| Variation of translation adjustment and other rounding difference | 2.12 | (1) | 3 | 2 |
| Surplus/(Deficit) of the year | | 1 889 | | 1 889 |
| Total movements during the year | | (4 122) | (32 042) | (36 164) |
| Balance at 31 December 2020 | | (75 662) | (28 935) | (104 597) |
| Movements in fund balances and reserves in 2021 | | | | |
| Variation to carry forward balance | 2.12 | (8 680) | 8 680 | |
| Variation of actuarial gain/(loss) on ASHI | 2.10 | | 36 243 | 36 243 |
| Utilization of Incentive Scheme's reserve | 2.12 | 5 | (5) | |
| Utilization of Operational Reserve | 2.12 | 158 | (158) | |
| Adjustment on ARGF operational reserve | 2.12 | 1 132 | (1 132) | |
| Utilization of ARGF restricted surplus | 2.12 | 3 656 | (3 656) | |
| Variation of unrealized losses | 2.12 | 2 733 | (2 733) | |
| Other reclassifications and transfers | 2.12 | (537) | | (537) |
| Variation of translation adjustment and other rounding difference | 2.12 | | 10 | 10 |
| Surplus/(Deficit) of the year | | (11 065) | | (11 065) |
| Total movements during the year | | (12 598) | 37 249 | 24 651 |
| Balance at 31 December 2021 | | (88 260) | 8 314 | (79 946) |

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 2021

(in thousands of Canadian dollars)

| | Notes | 2021 | 2020 (restated) |
|---|-----------|------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Surplus/(Deficit) for the year | | (11 065) | 1 889 |
| <i>Non-cash movements and other adjustments</i> | | | |
| Depreciation and amortization | 2.5 & 2.6 | 1 672 | 1 586 |
| ASHI actuarial gain (loss) | 2.10 | 36 243 | (38 055) |
| Interest income | 3.2 | (940) | (2 532) |
| Adjustments to net assets | 2.12 | (544) | |
| (Gain)/loss on disposal of property, plant and equipment | | | (5) |
| Cash flow on WCF presented as financing activities | 3.2 | | 12 |
| <i>Changes in assets and liabilities</i> | | | |
| (Increase) decrease in contributions receivable | 2.2 | (10 487) | 12 518 |
| (Increase) decrease in receivables and advances | 2.3 & 9 | 567 | 101 |
| (Increase) decrease in inventories | 2.4 | 160 | 79 |
| (Increase) decrease in other assets | 2.3 | (301) | 423 |
| (Increase) decrease in non-current contributions receivable (net of discount) | 2.2 | 853 | (684) |
| (Increase) decrease in non-current receivables and advances | 2.3 | 47 | 53 |
| Increase (decrease) in advanced receipts | 2.8 | (22 943) | (53 265) |
| Increase (decrease) in accounts payable and accrued liabilities | 2.9 & 9 | 13 742 | (12 785) |
| Increase (decrease) in short-term employee benefits | 2.10 | 916 | 337 |
| Increase (decrease) in credits to contracting/servicing governments | 2.11 & 9 | 10 | (41) |
| Increase (decrease) in long-term employee benefits | 2.10 | (26 946) | 47 356 |
| Foreign currency translation adjustment and rounding | 2.12 | 19 | 3 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | (18 998) | (43 010) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Acquisition/adjustment of property, plant and equipment and Intangibles | 2.5 & 2.6 | (1 692) | (1 899) |
| Proceeds from disposal of property, plant and equipment | | | 5 |
| Decrease/(increase) in investment | 2.1 | (10 274) | (39) |
| Interest received | 3.2 | 940 | 2 532 |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | (11 026) | 599 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Adjustment on WCF relating to new Member States | 3.2 | | (12) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | | (12) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (30 024) | (42 423) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 2.1 | 300 757 | 343 180 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 2.1 | 270 733 | 300 757 |

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

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V
REGULAR BUDGET GENERAL FUND
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(in thousands of Canadian Dollars)

| Strategic Objective / Supporting Implementation Strategy | Approved Appropriations | | | | | Revisions | | | Expenditures | | | Balance (l) =(h) - (k) | SG-approved Carry-over to 2022 ^f (m) | Proposed Carry-over to 2022 ^f (n) | Total Carry-over to 2022 ^f (o) =(m)+(n) |
|---|---|--|--|---|---|--|---|---|----------------|--|--|------------------------------|--|---|--|
| | Assembly Resolution A40-34 (a) | Outstanding Commitments Prior Year ^a (b) | Carry-over Prior Year ^a (c) | Decrease of Appropriations ^b (d) | Approved 2021 Appropriations (e) =(a)+(b)+(c)+(d) | 2021 Outstanding Commitments ^c (f) | Transfers among SO/SIS ^d (g) | Revised 2021 Appropriations (h) =(e)+(f)+(g) | Total (i) | Budget Exchange Difference ^e (j) | At budget rate of exchange (k) =(i)+(j) | | | | |
| Safety | 32 459 | 2 429 | 8 001 | (4 042) | 38 847 | (3 759) | (1 523) | 33 565 | 32 115 | (2 867) | 29 248 | 4 317 | 3 885 | 432 | 4 317 |
| Air Navigation Capacity and Efficiency | 20 569 | 1 518 | 4 554 | (2 173) | 24 468 | (2 187) | (1 634) | 20 647 | 20 247 | (2 047) | 18 200 | 2 447 | 2 447 | 0 | 2 447 |
| Security and Facilitation | 14 530 | 1 003 | 3 081 | (1 415) | 17 199 | (1 800) | (311) | 15 088 | 14 343 | (1 043) | 13 300 | 1 788 | 1 720 | 68 | 1 788 |
| Economic Development of Air Transport | 5 104 | 367 | 1 559 | (944) | 6 086 | (629) | (345) | 5 112 | 4 740 | (236) | 4 504 | 608 | 608 | 0 | 608 |
| Environmental Protection | 5 539 | 599 | 1 247 | (546) | 6 839 | (1 080) | (62) | 5 697 | 5 353 | (340) | 5 013 | 684 | 684 | 0 | 684 |
| Sub-Total | 78 201 | 5 916 | 18 442 | (9 120) | 93 439 | (9 455) | (3 875) | 80 109 | 76 798 | (6 533) | 70 265 | 9 844 | 9 344 | 500 | 9 844 |
| Programme Support | 13 303 | 922 | 2 713 | (1 240) | 15 698 | (2 231) | 623 | 14 090 | 12 867 | (347) | 12 520 | 1 570 | 1 570 | 0 | 1 570 |
| Management & Administration | 15 442 | 2 852 | 2 643 | (740) | 20 197 | (5 948) | 3 252 | 17 501 | 16 000 | (519) | 15 481 | 2 020 | 2 020 | 0 | 2 020 |
| Sub-Total | 28 745 | 3 774 | 5 356 | (1 980) | 35 895 | (8 179) | 3 875 | 31 591 | 28 867 | (866) | 28 001 | 3 590 | 3 590 | 0 | 3 590 |
| Total | 106 946 | 9 690 | 23 798 | (11 100) | 129 334 | (17 634) | 0 | 111 700 | 105 665 | (7 399) | 98 266 | 13 434 | 12 934 | 500 | 13 434 |

^a Carry-over from 2020: CAD 9.7 million (2020 outstanding commitments) by authority of Fin. Reg. 5.7; CAD 12.7 million (other carry-over) approved by Secretary General authority Fin. Reg. 5.6; and CAD 11.1 million (other carry-over) approved by the Council authority Fin. Reg. 5.6.

^b Approved by Council to transfer to Operational Reserve (C-DEC 223/11).

^c By authority of Financial Regulation 5.7.

^d Approved by the Secretary General, Financial Regulation 5.9.

^e Budget exchange difference: currency exchange gain of CAD 7.4 million 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.

^f Secretary General has authority to approve up to a maximum of 10% of total approved appropriation, Fin. Reg. 5.6; balance will be for Council approval, Fin. Reg. 5.6

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

STATEMENT V-A

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR ALL FUNDS OF THE ORGANIZATION THAT HAVE PUBLICLY-AVAILABLE BUDGETS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of Canadian Dollars)

| | References | 2021 Budgets * | Actual | Budget Difference | Actual on a comparable basis | Difference between Budget and Actual on comparable basis |
|---|-----------------|-------------------|---------|----------------------|------------------------------------|---|
| | | (a) | (b) | (c) | (d) (b) + (c) | (e) (a) - (d) |
| REVENUE | | | | | | |
| Regular Budget | | | | | | |
| Assessed contributions | Figure 1; Tbl A | 95 577 | 102 437 | (9 672) | 92 765 | 2 812 |
| Other | Figure 1; Tbl A | 11 369 | 11 600 | | 11 600 | (231) |
| <i>Total Regular Budget</i> | Figure 1; Tbl A | 106 946 | 114 037 | | 104 365 | 2 581 |
| Working Capital Fund | | | | | | |
| <i>Total Regular Budget and Working Capital Fund:</i> | | 106 946 | 114 037 | | 104 365 | 2 581 |
| AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds) | | | | | | |
| Administrative Fee | Table A | 3 835 | 4 506 | | 4 506 | (671) |
| Other Revenue | | 1 519 | 735 | | 735 | 784 |
| <i>Total AOSC</i> | Figure 8; Tbl A | 5 354 | 5 241 | | 5 241 | 113 |
| EXPENSES | | | | | | |
| Regular Budget | | | | | | |
| All SO/SIS | St. V; Table A | 129 334 | 105 665 | (7 399) | 98 266 | 31 068 |
| Outstanding commitments | Statement V | | | 17 634 | 17 634 | (17 634) |
| Currency Exchange Differences | | | 805 | | 805 | (805) |
| <i>Total Regular Budget</i> | Figure 1; Tbl A | 129 334 | 106 470 | 10 235 | 116 705 | 12 629 |
| Operational Reserve | | | 158 | | | |
| Working Capital Fund | | | (24) | | | |
| <i>Total Regular Budget, Op. Reserve and Working Capital Fund:</i> | Table A | | 106 604 | | | |
| AOSC (excluding Efficiency/Effectiveness and Special Reserve Funds) | Figure 8 | 9 501 | 9 599 | | 9 599 | (98) |
| Other AOSC Funds | | | 206 | | 206 | (206) |
| <i>Total AOSC</i> | Figure 8; Tbl A | 9 501 | 9 805 | | 9 805 | (304) |

* Comprised of publicly available budgets only

REFERENCES:

Figures 1 and 8 refer to the Presentation by the Secretary General included in this document;
Table A (Tbl A) and Statement V (St. V) are included in the Financial Statements and Tables.

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
Notes to Financial Statements
31 December 2021

NOTE 1: ACCOUNTING POLICIES

I. INTRODUCTION

1. The International Civil Aviation Organization (ICAO) is a specialized agency of the United Nations and was created with the signing in Chicago, on 7 December 1944, of the *Convention on International Civil Aviation*. ICAO is the permanent body charged with the administration of the principles laid out in the Convention. It sets the standards for aviation safety, security, efficiency and regularity, as well as for aviation environmental protection, and encourages their implementation.
2. ICAO's membership comprises 193 Member States as of 31 December 2021. Its Headquarters are in Montreal, Canada and it has regional offices in Bangkok, Cairo, Dakar, Lima, Mexico City, Nairobi and Paris as well as a regional sub-office in Beijing.
3. ICAO has a sovereign body, the Assembly, and a governing body, the Council. The Assembly, composed of representatives from all Member States, meets every three years, reviews in detail the complete work of the Organization, sets policy for the coming years and approves the financial statements issued since the last Assembly. It also decides on the triennial budget. The Assembly last met in September 2019.
4. The Council, composed of representatives from 36 States, is elected by the Assembly for a three-year term and provides continuing direction to the work of ICAO. The Council is assisted by the Air Navigation Commission, the Air Transport Committee, the Finance Committee, the Aviation Security Committee, the Human Resources Committee, the Committee on Joint Support of Air Navigation Services, the Technical Co-operation and Implementation Support Committee, the Climate and Environment Committee, the Committee on Governance, the Relations with Host Country Committee, the Edward Warner Award Committee, and the Committee on Co-operation with External Parties.
5. 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.
6. 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, Office of Internal Oversight, Ethics, Communications, Strategic Planning, Coordination and Partnership, 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.

II. OVERVIEW AND HIGHLIGHTS OF THE FINANCIAL STATEMENTS

7. The following financial statements have been prepared in accordance with the International Public Sector Accounting Standards (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 |

8. 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.
9. Tables, included in the Part IV of this document, are not part of the audited financial statements. However, these tables offer valuable financial information and support the combined figures reported in the audited financial statements.

Reporting Entity

10. The financial statements include only the operations of ICAO. ICAO does not have interests in associates or jointly controlled entities.
11. ICAO provides administrative services to the Medical Benefits Plan (MBP) which is a non-consolidated entity independently governed by the Health and Life Insurance Committee (HLIC) which includes members appointed by the ICAO administration and members elected by plan participants. The MBP prepares its own financial statements which are not consolidated into those of ICAO. The Plan's assets and liabilities are owned by the MBP and, in the event of dissolution, its assets and liabilities would be distributed as determined by the HLIC. The MBP, with Cigna as the plan administrator, 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.
12. In 2021, ICAO provided a limited scope of human resources and accounting services to the European Civil Aviation Conference (ECAC); the services ceased in February 2021. ICAO and ECAC signed a premises lease agreement for the period from 1 January 2021 to 30 April 2022.

Basis of Preparation and Authorization for Issue

13. The financial statements of ICAO have been prepared on the accrual basis of accounting, in accordance with the ICAO Financial Regulations and IPSAS.
14. These financial statements are prepared on a going-concern basis of accounting. The going-concern assertion is based on the approval by the Assembly of the Regular Budget appropriations for the Triennium 2020-2022 in resolution A40-34, the positive historical trend of collection of assessed contributions over the past years and the fact that neither the Assembly nor the Council has taken a decision to cease the operations of ICAO. Furthermore, ICAO monitors the cash position closely,

makes continuous collection efforts, and continues its cost-controls to keep the expenses within the available financial resources throughout the year.

15. In accordance with the Financial Regulation 12.4, these financial statements are certified by the Chief of the Finance Branch, approved by the Secretary-General (approval date refers to Report by the Secretary-General), and transmitted to the External Auditor for examination by 31 March following the end of the financial year. Thereafter, the financial statements are presented to the Council for consideration and recommendation to the Assembly for approval.
16. The financial statements have been prepared on the basis of historical cost measurement, unless otherwise stated.
17. The Cash Flow Statement (Statement IV) is prepared using the indirect method.

Currency Translation

18. The reporting currency of ICAO is the Canadian dollar (CAD). Foreign currency transactions are translated into CAD using the United Nations Operational Rates of Exchange (UNORE).
19. The functional currency of ICAO Regular Activities is the CAD. For the Regular Activities Segment, transactions in a currency other than the functional currency are translated to CAD using the exchange rate at the transaction date. Monetary assets and liabilities in currencies other than CAD are revalued at the closing rate and non-monetary items at the exchange rate on the transaction date. Foreign currency differences arising upon revaluation are recognized in the statement of financial performance.
20. The functional currency of the Technical Co-operation Projects (TCP) activities and Joint Financing Funds is the United States dollar (USD), because these activities are generally carried out in USD. Similarly to the Regular Activities Segment, transactions in currencies other than the USD are translated to USD at the time of transaction. Monetary assets and liabilities in currencies other than USD are translated at the year-end closing rate.
21. Assets and liabilities of activities financed from TCP and other Funds which utilize the USD as the functional currency, are translated to CAD at the closing rate of 1.281 (2020: 1.278), and revenue and expense in the statement of financial performance are translated to CAD at the average rate of 1.254 (2020: 1.343). Translation differences arising on the translation of assets and liabilities and statement of financial performance are recognized in the reserved surplus or deficit account.

Changes in Accounting Standards

22. In 2021, ICAO did not adopt any new accounting standards.
23. The IPSAS Board published the pronouncement on COVID-19: Deferral of Effective Dates, which delays the effective dates of recently published Standards and Amendments to IPSAS by one year, to 1 January 2023. IPSAS 41 - Financial Instruments, which is applicable to ICAO, falls under this pronouncement. IPSAS 41 standard substantially improves the relevance of information for financial assets and financial liabilities. Its impact on the financial statements will be assessed before the due date.
24. In addition, IPSAS 43 - Leases, was issued in January 2022 with the effective date of 1 January 2025. Its impact on ICAO financial statements will be assessed prior to that date.

Cash, Cash Equivalents and Investments

25. Cash and cash equivalents comprise cash on hand and at banks, and short-term highly liquid investments with a maturity of three months or less from the date of acquisition. Investments include term deposits for which the initial term is more than three months, and are further classified into short-term investments and long-term investments in the Statement of Financial Position depending on the maturity period of the deposits.
26. Interest revenue is recognized as it accrues, taking into account the effective yield.

Financial Instruments

27. Financial instruments are recognized when ICAO becomes a party to the contractual provisions of the instrument and until such time as the rights (or the obligation) to receive (to pay) cash flows from those assets (liabilities) have expired or have been transferred (settled).
28. 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.
29. Financial liabilities include assessed contributions received in advance, conditional voluntary contributions and advance payments related to exchange transactions. All non-derivative financial liabilities are recognized initially at cost which approximates the fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. All gains/losses on financial instruments are recognized in the statement of financial performance.

Inventories

30. Publications, Commissariat items, and other items held for sale or distribution at the end of the financial period are recorded as inventories. Publications are valued at the lower of cost and current replacement cost. Other inventory items are valued at the lower of cost and net realizable value.
31. 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 and other items held for sale or distribution represents the purchase price on the weighted average basis.
32. Holdings of consumables and supplies for internal consumption are reflected as inventories only when material. Publications and other documents for internal use are expensed when produced.

Contributions Receivable

33. Contributions receivable, which relate to amounts owed to the Organization by Member States and donors, are shown net of allowance for doubtful accounts and discounting:
 - Allowance for doubtful accounts on contributions receivable is based on historical experience and on events that would indicate a donor is not capable of discharging its obligation at the reporting date; 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 discounted value using the effective interest method and are therefore presented net of the cumulative discount.

34. 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.

Property, Plant and Equipment

35. 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 |

36. The capitalization threshold for PP&E items is CAD 3 thousand, and for leasehold improvements is CAD 25 thousand. 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.
37. 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

38. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Intangible assets are capitalized if their cost exceeds the CAD 5 thousand threshold, except for internally developed assets, for which the capitalization threshold is CAD 25 thousand.
39. 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 |

40. Licenses, rights and copyrights are amortized over the licenses, rights and copyrights periods.
41. 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

42. Contributions received before the implementation of TCP 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.
43. Balances of unutilized contributions to be remitted to contributor, and funds received before services are rendered or goods delivered by ICAO to third parties, are included in advanced receipts.
44. Assessments received from Member States before the year to which they relate are presented under advanced receipts.

Employee Benefits

45. 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.
46. Short-term employee benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the Statement of Financial Position.
47. ASHI is accounted for as a defined-benefit plan 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. In 2021, the present value of the defined benefit obligations for this insurance is determined by an independent actuary using the projected unit cost method, including discounting the estimated future cash outflows using a weighted discount rate calculated on long-term Canadian and US government bonds based on the currency of the liabilities as of December 31 of the reporting year adjusted to reflect the estimated timing of benefit payments. In 2020 and prior years, the discount rate equalled to the yield on long-term Canadian government bonds as of December 31 of the reporting year.
48. Repatriation benefits and accumulated annual leave that is commuted to cash upon separation from the Organization are accounted for as other long-term benefits. The present value of the liabilities are calculated by an independent actuary. A liability is recognized and measured as the actuarial present value of the expected benefit payments for settling these entitlements. The actuarial value of the total accumulated unused leave days of all staff members is recognized as a liability at the reporting date.
49. For other long-term benefits, such as annual leave and repatriation benefits, actuarial gains and losses are recognized at the reporting date and reflected in the Statement of Financial Performance. A liability is recognized and measured as the actuarial present value of the expected benefit payments for settling these repatriation benefits. The actuarial value of the total accumulated unused leaves days of all staff members is recognized as a liability at the reporting date. The short-term

portions of these benefits are presented as current liabilities within the Statement of Financial Position.

50. Repatriation benefits and annual leave due to Technical Co-operation Project personnel upon separation are calculated by ICAO based on personal data and past experience. Other long-term employee benefits include compensation payments in the case of death, injury or illness attributable to performance of duties in accordance with Staff Rule 106.5. Actuarial valuations are determined for cases where long-term payments are required. No such cases exist for ICAO at the reporting date.
51. 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.
52. 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.
53. 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.

Revenue

54. 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. ICAO may, in some instances, consider the best estimate of stage of completion by referring to the phased schedule of payments applicable to the contracts for the projects.
55. Voluntary contributions are recognized upon the signing of a binding agreement with the donor. Revenue is recognized immediately if no condition is attached requiring that funds be utilized as specified in an agreement or returned to the contributing entity. If conditions are attached, revenue is recognized only upon satisfying the specified conditions based upon the level of expenditure of

the contribution in accordance with the terms of the agreement. Until such conditions are met, a liability (deferred revenue) is recognized.

56. Administrative fees recovered on TCP are presented as revenue in the Administrative and Operational Services Cost (AOSC) Fund and as expenses in the respective projects in the Statement of Financial Performance by segment and eliminated in the consolidated Statement of Financial Performance (Statement II). In accordance with IPSAS, revenue from administrative fees generated by TCP is recognized based on the stage of completion. The stage of completion is estimated as follows:
 - For the Purchase of Equipment, 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 invoices relating to the PO; and
 - For services, the administrative fee is recognized on the basis of cost incurred.
57. According to Financial Regulation 7.6 b), interest earned by Funds established in support of the TCP is credited to AOSC or the contributor as specified in the terms of the agreement. The exception is legacy projects for which ICAO and the contributor share equally the interest earned from monthly average balance of project funds in excess of USD 100 thousand.
58. Other sources of revenue from exchange transactions mainly include revenue from ICAO's Global Aviation Training (GAT) delivery, other revenue generating activities, such as sales of publications, events and symposia, licensing fees, royalties from ICAO's publications, rental of premises, and other miscellaneous revenue. Such revenues are measured at the fair value of the consideration received or receivable, and are recognized as goods and services are delivered. Their balances receivable are presented in receivables and advances.
59. 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.
60. 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. Personnel services and travel provided without charge are not recognized in the accounts, but are presented in the Notes to the Financial Statements for information purposes. For donated right-to-use building arrangements, where ICAO does not have exclusive control and the arrangement has a specified term of less than 75% of the remaining useful life of the building, a revenue and an expense equivalent to the fair rental value are accounted for in the Statement of Financial Performance.

Provisions and Contingent Liabilities

61. 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.
62. 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 is confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of ICAO.

Segment Reporting and Fund Accounting

63. 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) TCP 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.
64. 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.
65. The Regular Activities Segment includes the General Fund and the Working Capital Fund of the Regular Budget, special accounts and Funds established to administer voluntary contributions for aviation safety, security, environmental and other supporting activities of the Organization. Unutilized appropriations voted for the Regular 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.
66. 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 transfers of 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. The Operational Reserve, authorized by the Council in 2021, is recorded under the RB but is managed and reported separately.
 - **Capital Fund** established for the purpose of recording the acquisitions, depreciation, and amortization of property, plant and equipment and intangible assets for the Regular Activities.
 - **Revolving Fund** established for the purpose of recording 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 also includes 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 TCP.
 - 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 adjustment to the amount of AOSC Fund reimbursement to Regular Budget (calculated using an approved formula) in excess of the approved level of annual transfer to the Regular Budget. If, in any year, there is a shortfall in the AOSC Fund reimbursement to the Regular Budget 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**, established by the Council to authorize Director of TCB to dispense, in any given year, up to 25 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 and Facilitation (AVSEC/FAL) 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 and Facilitation 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)**, established by Council to support States, through use of voluntary contributions, in strengthening their civil aviation systems. The voluntary funds 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, 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 is located 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.
67. The TCP Activities segment comprises TCP 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 contributions specified in project agreements.
68. The TCP activities include 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 contracts referred to as Lump Sum Agreements with Member States, for the provision of specific services or products. These differ from MSA and Trust Fund agreements in that they are for a fixed contract amount. Under or over recovery of actual expenditure is reflected in the AOSC Fund. As part of Technical Co-operation arrangements, ICAO also offers implementation packages (iPacks) to Member States since 2020.

69. Use of estimates: The financial statements necessarily include amounts based on estimates and management assumptions. Estimates relate to, among other things, defined benefit medical insurance and other long-term benefit obligations, the value of which is calculated by an independent actuary; amounts for litigation; financial risk on accounts receivable; and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the statement of financial performance for the period in which they become known.

NOTE 2: ASSETS AND LIABILITIES

Note 2.1: Cash and Investments

70. 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:

| | 2021 | 2020 (restated ⁵) |
|--|----------------------------|-------------------------------|
| | <i>In thousands of CAD</i> | |
| Cash in banks | 20 387 | 33 232 |
| Term deposits | 250 346 | 267 525 |
| Total Cash and Cash Equivalents | 270 733 | 300 757 |
| Investments | 13 498 | 3 224 |
| Total Cash and Investments | 284 231 | 303 981 |

71. Cash required for immediate needs is held in instant-access bank accounts and highly liquid financial instruments such as term deposits with the maturity of three months or less from the date of acquisition. Term deposits with maturity periods of longer than three months held by ICAO at the reporting date are presented as investments.
72. As at 31 December 2021, cash in banks had an average interest rate of 0.040 per cent (2020: 0.339 per cent). The term deposits (including those classified as investments) had an average interest rate of 0.289 per cent (2020: 0.863 per cent) and an average term maturity of 74 days (2020: 80 days). Term deposit amounts include USD 157 million held in investment savings accounts (2020: USD 162 million) with an average interest rate of 0.295 per cent (2020: 0.816 per cent). Cash and cash equivalents include CAD 14.2 million held on behalf of MBP (2020: CAD 13.4 million).

⁵ Note 9 provides details of restatement

73. The total cash, cash equivalents and investments, broken down by currency, are as follows:

| | 31 December 2021 | | 31 December 2020 (restated, note 9) | |
|-----------------------------|----------------------------|-------------|--|-------------|
| | <i>In thousands of CAD</i> | | | |
| Canadian dollars (CAD) | 68 065 | 24% | 79 485 | 26% |
| United States dollars (USD) | 207 055 | 73% | 215 218 | 71% |
| Other Currencies | 9 111 | 3% | 9 278 | 3% |
| Total | 284 231 | 100% | 303 981 | 100% |

74. At 31 December 2021, of the total amount of cash and investments held, CAD 97.6 million was unrestricted cash held by the Organization (2020: CAD 107.5 million). The balance of CAD 172.4 million (2020: CAD 183.0 million) represents Technical Co-operation funds and cash that is restricted for use specified by legislative action, including the unexpended balance held in the PKD, International Registry Fund, and Joint Finance Funds. This excludes MBP cash balances CAD 14.2 million (2020: 13.4 million).

Note 2.2: Assessed Contributions Receivable from Member States

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

| | 2021 | 2020 |
|--|----------------------------|--------------|
| | <i>In thousands of CAD</i> | |
| Current | 14 568 | 4 081 |
| Discounted non-current | 4 153 | 5 006 |
| Total Net Assessed Contributions Receivable | 18 721 | 9 087 |

76. 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 contributions receivable. The gross and net amounts of contributions receivable are as follows:

| | 2021 | 2020 |
|--|----------------------------|--------------|
| | <i>In thousands of CAD</i> | |
| Assessed contributions receivable | 27 918 | 15 472 |
| Less: | | |
| Allowance for doubtful accounts | (654) | (653) |
| Cumulative discount on long-term receivables | (8 543) | (5 732) |
| Total Net Assessed Contributions Receivable | 18 721 | 9 087 |

77. The following table illustrates the composition of assessed contributions receivable for the Regular Budget:

| | 2021 | | 2020 | |
|--------------------|----------------------------|------------|----------------------------|------------|
| Year of Assessment | <i>In thousands of CAD</i> | % | <i>In thousands of CAD</i> | % |
| 2021 * | 15 622 | 56.0 | - | |
| 2020 | 2 209 | 7.9 | 4 899 | 31.7 |
| 2019 | 1 668 | 6.0 | 1 895 | 12.2 |
| 2018 | 1 261 | 4.5 | 1 374 | 8.9 |
| 2017 and earlier | 7 158 | 25.6 | 7 304 | 47.2 |
| Total | 27 918 | 100 | 15 472 | 100 |

The increase in the balance of 2021 assessments receivable is due to late payment, in January 2022, of a portion of the assessment due from a major contributor.

* The USD portion of the 2021 Assessment has been revalued at the 31 December 2021 exchange rate. The historical amount is CAD 15.6 million (refer to Table B).

78. There were no additions to the allowance for doubtful accounts on assessments during 2021.

| | 2020 | Utilization | Increase/ (Decrease) | 2021 |
|---------------------------------------|----------------------------|--------------------|---------------------------------|-------------|
| | <i>In thousands of CAD</i> | | | |
| Total allowance for doubtful accounts | 653 | - | 1 | 654 |

79. The amount of CAD 0.7 million represents the original amount of USD 0.5 million (equivalent of CAD 0.5 million set up in 2010) owing to ICAO by the former Socialist Federal Republic of Yugoslavia, adjusted by an exchange difference of CAD 1 thousand in 2021, 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.

80. There were no write-offs of contributions receivable during 2021.

81. The movements of the discounted long-term contributions receivable during 2021 are as follows:

| | 2020 | Utilization | Increase/ (Decrease) | 2021 |
|---|----------------------------|--------------------|---------------------------------|-------------|
| | <i>In thousands of CAD</i> | | | |
| Discounted long-term contributions receivable | 5 006 | 1 959 | (2 812) | 4 153 |

82. The discounted long-term contributions relate to assessments receivable from States that have concluded agreements with the Council to liquidate their arrears over a period not exceeding twenty years, without interest (Group A), and States without agreements but with outstanding assessments exceeding three years (Group B). It was estimated that although all of 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 one Assembly session (until 2020: two consecutive Assembly sessions) needed to be further reduced. The cumulative discount of CAD 8.5 million (2020: CAD 5.7 million) on long-term receivables includes those fully discounted receivables amounting to CAD 6.9 million (2020: CAD 5.1 million). Utilization of CAD 2.0 million (2020: CAD 0.5 million) is the reclassification of amounts in arrears as long-term less payments received during the course of the year. The decrease of CAD 2.8 million (2020: increase of CAD 1.1 million) in the discounted long-term accounts receivable balance represents an increase in the cumulative discount, which is reflected in revenue.

83. 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 Corporate BBB long-term bond index (until 2020: 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 rate of 3.65 per cent (2020: 1.20 per cent) to the scheduled future instalment payments.

84. The policy of valuation of the long-term assessments receivable in Group A and Group B has been revised, with an effective date of 1 January 2021, which has resulted in a decrease of the fair value of the long-term assessments receivable by CAD 1.8 million, reflected as an expense for the period and reported in the Statement of Financial Performance.

Note 2.3: Receivables, Advances and Other Assets

85. Short-term receivables and advances are comprised of:

| | 2021 | 2020 (restated⁶) |
|--|----------------------------|------------------------------------|
| | <i>In thousands of CAD</i> | |
| Advances to suppliers for TCP | 3 171 | 3 786 |
| Receivables from GAT* | 1 870 | 1 555 |
| Receivables from United Nations Agencies | 1 744 | 2 706 |
| Receivable from EU | 1 547 | 0 |
| Advances to employees | 1 161 | 1 344 |
| Receivables from delegations | 856 | 803 |
| Receivables from PKD membership fees | 653 | 668 |
| Others* | 914 | 1 621 |
| Total | 11 916 | 12 483 |

*Accounts receivable are recognized net of a doubtful accounts provision of CAD 0.4 million for GAT in 2021 and CAD 0.03 million for Others in 2020.

86. Advances to employees are for education grants, rental subsidies, travel and other staff entitlements.

87. Receivables from United Nations Agencies comprised of compensation payments made on behalf of United Nations Development Programme (UNDP) to surviving spouses of project personnel who died while working on UNDP-financed projects, and cash advances released to UNDP in order to execute payments on ICAO's behalf upon ICAO's authorization.

88. Other receivables mainly include receivable amounts due from revenue generation activities such as the sales of publications, rental of conference rooms and space to delegations.

89. Other current assets are comprised of:

| | 2021 | 2020 |
|--|----------------------------|--------------|
| | <i>In thousands of CAD</i> | |
| Recoverable provincial sales tax | 373 | 289 |
| Recoverable federal sales tax | 251 | 103 |
| Prepaid expenses | 865 | 768 |
| Recoverable United States income tax | 7 | 2 |
| Recoverable regional offices sales tax | 56 | 89 |
| Total | 1 552 | 1 251 |

90. 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 discounted amount

⁶ Note 9 provides details of restatement

due from AFCAC reflected in the accounts totals to CAD 0.2 million (CAD 0.3 million as at 3 December 2020).

Note 2.4: Inventories

91. ICAO inventories include the stock of published documents which are printed in-house for sale to the worldwide civil aviation community, the stock of duty-free items held by the Commissariat store for sale to individuals having diplomatic status, and the stock of the APAC Regional Office's Souvenir boutique.
92. The table below shows the total value of inventories as at 31 December.

| | 2021 | 2020 |
|-------------------------------------|----------------------------|------------|
| | <i>In thousands of CAD</i> | |
| Publications on hand-finished goods | 148 | 196 |
| Raw material and work in progress | 67 | 58 |
| Total Publications | 215 | 254 |
| Total Commissariat Items | 230 | 350 |
| Total APAC Souvenir Items | 12 | 13 |
| Total Inventories | 457 | 617 |

93. Further details of movements in main inventory items are shown below.

| | 2021 | 2020 |
|---|----------------------------|------------|
| | <i>In thousands of CAD</i> | |
| Publications | | |
| Opening Balance | 254 | 285 |
| Direct material | 224 | 168 |
| Direct labour | 703 | 809 |
| Indirect costs | 232 | 323 |
| Total inventory purchased and produced | 1 413 | 1 585 |
| Less: Cost of publications sold | (1 182) | (1 279) |
| Less: Impairments | (16) | (52) |
| Closing Balance | 215 | 254 |

| | 2021 | 2020 |
|---------------------------|----------------------------|------------|
| | <i>In thousands of CAD</i> | |
| Commissariat Items | | |
| Opening Balance | 350 | 411 |
| Inventory purchased | | 103 |
| Total inventory purchased | 350 | 514 |
| Less: Cost of items sold | (120) | (164) |
| Closing Balance | 230 | 350 |

94. Publications and Commissariat items, and quantities derived from ICAO's inventory tracking systems are validated by a physical stock count. Physical access to perform complete physical inventory verification counts were limited by COVID-related restrictions imposed by local authorities or for the safety of staff. As a result, alternative verification methods were applied and the restrictions did not impact the numbers presented in the financial statements.

95. Inventories are valued net of any identified impairments. During 2021, impaired publication inventory including disposal of overstock publications valued at CAD 16 thousand (CAD 52 thousand in 2020) 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)

96. 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.
97. The following table presents PP&E capitalized in the accounts in accordance with IPSAS.

Property, plant and equipment: 2021

(Thousands of Canadian dollars)

| | Furniture & Fixtures | IT Equipment | Motor Vehicles | Machinery & equipment | Leasehold Improvements | Leasehold Improvements in Progress | Total |
|---|----------------------------|-----------------|-------------------|-----------------------------|---------------------------|--|-----------------|
| Cost as at 1 Jan 2021 | 184 | 5 232 | 607 | 2 196 | 6 016 | 165 | 14 400 |
| Additions | 19 | 277 | 73 | 202 | 40 | | 611 |
| Disposals | (7) | (683) | | (26) | | | (716) |
| Cost as at 31 Dec 2021 | 196 | 4 826 | 680 | 2 372 | 6 056 | 165 | 14 295 |
| Accumulated depreciation as at 1 Jan 2021 | (145) | (3 839) | (415) | (1 431) | (2 809) | | (8 639) |
| Depreciation | (14) | (466) | (71) | (211) | (539) | | (1 301) |
| Disposals | 7 | 683 | | 26 | | | 716 |
| Accumulated depreciation as at 31 Dec 2021 | (152) | (3 622) | (486) | (1 616) | (3 348) | | (9 224) |
| Net carrying amount as at 1 Jan 2021 | 39 | 1 393 | 192 | 765 | 3 207 | 165 | 5 761 |
| Net carrying amount as at 31 Dec 2021 | 44 | 1 204 | 194 | 756 | 2 708 | 165 | 5 071 |

Property, plant and equipment: 2020

(Thousands of Canadian dollars)

| | Furniture & Fixtures | IT Equipment | Motor Vehicles | Machinery & equipment | Leasehold Improvements | Leasehold Improvements in Progress | Total |
|---|----------------------------|-----------------|-------------------|-----------------------------|---------------------------|--|-----------------|
| Cost as at 1 Jan 2020 | 180 | 5 215 | 633 | 1 948 | 5 762 | 36 | 13 774 |
| Additions | 4 | 17 | | 248 | 254 | 129 | 652 |
| Disposals | | | (26) | | | | (26) |
| Cost as at 31 Dec 2020 | 184 | 5 232 | 607 | 2 196 | 6 016 | 165 | 14 400 |
| Accumulated depreciation as at 1 Jan 2020 | (132) | (3 380) | (364) | (1 249) | (2 281) | | (7 406) |
| Depreciation | (13) | (459) | (77) | (182) | (528) | | (1 259) |
| Disposals | | | 26 | | | | 26 |
| Accumulated depreciation as at 31 Dec 2020 | (145) | (3 839) | (415) | (1 431) | (2 809) | | (8 639) |
| Net carrying amount as at 1 Jan 2020 | 48 | 1 883 | 270 | 651 | 3 481 | 36 | 6 369 |
| Net carrying amount as at 31 Dec 2020 | 39 | 1 393 | 192 | 765 | 3 207 | 165 | 5 761 |

98. In response to COVID-19, certain equipment was acquired in 2020. The limitation on physical movements that applied in many of the locations where ICAO operates resulted in a majority of staff and personnel working remotely. The continued remote working has led to increased use of mobile office tools, and laptops were acquired during 2021 at both Headquarters and Regional Offices. The office equipment above the capitalisation threshold is captured in the table above. Although most of the workplaces where ICAO operates were only partly occupied in 2021, it was decided that use of the office space will resume in the post-pandemic period. Physical verification of the fixed assets was carefully planned and carried out, despite restrictions. No impairment of PP&E was identified in 2021.
99. Commitments related to leases are presented in Note 6.1.
100. ICAO owns assets that are categorized as heritage assets because of their cultural, educational, or historical significance. Heritage assets were donated by 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 include aircraft models and prototypes, works of art, furniture and fixtures, books, maps, photographs, records and documents of historical significance, etc.

Note 2.6: Intangible Assets

101. The following table presents intangible assets recognized in the accounts since the adoption of IPSAS.

Intangible assets: 2021

(Thousands of Canadian dollars)

| | Software | Licenses & rights | Software Developed Internally | Other Intangible Assets | Software under development | Total |
|---|-----------------|----------------------|-------------------------------------|-------------------------------|----------------------------------|-----------------|
| Cost as at 1 Jan 2021 | 1 881 | 598 | 888 | 281 | 1 634 | 5 282 |
| Additions | | | 187 | 19 | 906 | 1 112 |
| Transfers | | | 79 | 165 | (244) | |
| Adjustment | (33) | | | | | (33) |
| Disposals | (249) | (153) | | | | (402) |
| Cost as at 31 Dec 2021 | 1 599 | 445 | 1 154 | 465 | 2 296 | 5 959 |
| Accumulated amortization as at 1 Jan 2021 | (1 294) | (418) | (365) | (281) | | (2 358) |
| Amortization | (88) | (62) | (204) | (17) | | (371) |
| Disposals | 249 | 153 | | | | 402 |
| Accumulated amortization as at 31 Dec 2021 | (1 133) | (327) | (569) | (298) | | (2 327) |
| Net carrying amount as at 1 Jan 2021 | 588 | 179 | 522 | | 1 634 | 2 923 |
| Net carrying amount as at 31 Dec 2021 | 466 | 118 | 585 | 167 | 2 296 | 3 632 |

Intangible assets: 2020

(Thousands of Canadian dollars)

| | Software | Licenses & rights | Software Developed Internally | Other Intangible Assets | Software under development | Total |
|---|-----------------|----------------------|-------------------------------------|-------------------------------|----------------------------------|-----------------|
| Cost as at 1 Jan 2020 | 1 443 | 591 | 536 | 281 | 1 183 | 4 034 |
| Additions | 438 | 7 | 352 | | 523 | 1 320 |
| Adjustment | | | | | (72) | (72) |
| Disposals | | | | | | |
| Cost as at 31 December 2020 | 1 881 | 598 | 888 | 281 | 1 634 | 5 282 |
| Accumulated amortization as at 1 Jan 2020 | (1 153) | (353) | (244) | (281) | | (2 031) |
| Amortization | (141) | (65) | (121) | | | (327) |
| Disposals | | | | | | |
| Accumulated amortization as at 31 Dec 2020 | (1 294) | (418) | (365) | (281) | | (2 358) |
| Net carrying amount as at 1 Jan 2020 | 290 | 237 | 292 | | 1 183 | 2 003 |
| Net carrying amount as at 31 Dec 2020 | 588 | 179 | 522 | | 1 634 | 2 923 |

102. No impairment of intangible assets was identified in 2021.

Note 2.7: Financial Instruments

2.7.1 Financial Assets and Liabilities

103. The table below lists the financial instruments related to Regular Activities segment, further adjusted by excluding Funds where risks are not assumed by ICAO but rather absorbed by these Funds⁷.

| | 2021 | 2020 |
|---|----------------------------|----------------|
| | <i>In thousands of CAD</i> | |
| Cash and cash equivalents | 98 298 | 122 615 |
| Assessed contributions receivable (current) | 14 568 | 4 081 |
| Assessed contributions receivable (non-current) | 4 153 | 5 006 |
| Receivables and advances (current) | 3 757 | 3 244 |
| Receivables and advances (non-current) | 212 | 259 |
| Other Receivables | 683 | 483 |
| Sub-total financial assets | 121 671 | 135 688 |
| Accounts payable and accrued liabilities | 10 119 | 21 024 |
| Sub-total financial liabilities | 10 119 | 21 024 |
| Financial instruments - net exposure | 111 552 | 114 664 |

104. ICAO is exposed to certain market, credit and liquidity risks, as summarized in the following paragraphs.

2.7.2 Market Risk

105. Market risk is the risk arising from fluctuation of the fair value or future cash flows of financial instruments due to changing market prices. It includes foreign currency exchange risk, interest rate risk, and other price risks. ICAO is exposed to exchange and interest rate risks with respect to revenue from assessed, voluntary and project contributions, and expenses in currencies other than the Canadian dollar functional currency, namely Technical Co-operation Projects and other Funds that utilize the USD as the functional currency.
106. The Regular Budget assessments in the Regular Activities Segment are determined using a split assessment system under which Member States are assessed partly in CAD and partly in USD based on estimated requirements in each currency in order to minimize the exposure to the exchange rate fluctuations. With the adoption of the split assessment system, ICAO does not need to enter into forward exchange contracts for the purchase of USD for Regular Activities, as the exchange rate risk is largely mitigated.
107. For TCP and Joint Financing Funds activities financed from project agreements, the currency used for accounting is the USD. Exchange gains or losses resulting from the utilization of currencies other than USD are absorbed in the project budgets and are not assumed by ICAO. Currency fluctuation on purchase orders denominated in currencies other than the USD could have a material

⁷ Funds include: Joint Finance Funds, Public Key Directory, International Registry and some earmarked voluntary contributions.

impact on TCP's financial performance. To reduce the impact on project expenditures, a policy on hedging has been adopted whereby the funds for purchase orders pertaining to TCP that are denominated in currencies other than the USD are purchased in the currency of the commitment at the time the purchase order is issued. An exchange gain or loss is recognized as project revenue or expense equivalent to the difference between the UNORE and the spot rate in effect on the date that the currencies are purchased. For Regular Activities financed from project agreements or voluntary contributions, the functional currency used for accounting is CAD; for some of these activities, exchange gains or losses resulting from the utilization of currencies other than CAD are absorbed by the Funds. For the others where ICAO bears the exchange risk, the amounts are identified in the following paragraphs, and the impacts have been analysed.

108. At 31 December 2021, those financial instruments held by ICAO as part of its Regular Activities Segment, for which the market risk is assumed by ICAO, are denominated as follows:

| | <i>USD</i> | <i>Others</i> | <i>CAD</i> | <i>Total</i> |
|---|----------------------------|---------------|---------------|----------------|
| | <i>In thousands of CAD</i> | | | |
| Cash and cash equivalents | 42 226 | 3 918 | 52 154 | 98 298 |
| Percent of cash and cash equivalents by currency | 43% | 4% | 53% | 100% |
| Assessed contributions receivable (current) | 11 744 | | 2 824 | 14 568 |
| Assessed contributions receivable (non-current) | | | 4 153 | 4 153 |
| Receivables and advances (current) | 1 475 | 44 | 2 238 | 3 757 |
| Receivables and advances (non-current) | 212 | | | 212 |
| Other receivables | 7 | 55 | 621 | 683 |
| Sub total receivables | 13 438 | 99 | 9 836 | 23 373 |
| Percent of assets by currency | 58% | 0% | 42% | 100% |
| Accounts payable and accrued liabilities | 3 293 | 17 | 6 809 | 10 119 |
| Percent of accounts payable and accrued liabilities by currency | 33% | 0% | 67% | 100% |
| Net exposure | 52 371 | 4 000 | 55 181 | 111 552 |

109. The sensitivity analysis in the table below shows the effect that a change of +/- 5 per cent in the currency exchange rate between the Canadian dollar and the US dollar and other currencies in which financial instruments are held would have had on net assets/equity and on accumulated surplus and deficit. As indicated above, the impact of foreign exchange risks on Technical Co-operation Projects is managed within the budgets financed by project donors and has minimal impact on ICAO's net assets/equity or net surplus and deficit.

| | USD | Others | Impact on Net Assets |
|-------------------|----------------------------|---------------|-----------------------------|
| | <i>In thousands of CAD</i> | | |
| Net risk | 52 371 | 4 000 | 56 371 |
| Impact +5% | 2 619 | 200 | 2 819 |
| Impact -5% | (2 619) | (200) | (2 819) |

110. ICAO also has a limited exposure to the risk of changes in interest rates. Its operating budget is financed primarily by revenue from Members' Assessed Contributions and reimbursement and transfer from other Funds. Only 0.2 per cent of its operating budget is financed by revenue derived

from investment income. Should investment revenue decrease or increase, the funds available to finance the Regular Budget would be only minimally impacted. ICAO does not utilize financial instruments to hedge interest rate risk. ICAO is exposed to interest rate risk through term deposits. In 2021, interest rates decreased; the average interest rate and term maturity are provided in Note 2.1.

2.7.3 Credit Risk

111. The credit risk is the risk that a counterparty for an asset held by ICAO does not fulfill its obligations. Financial instruments that potentially subject ICAO to concentrations of credit risk consist primarily of cash and investments, and accounts receivable. ICAO's credit risk is spread widely and ICAO's risk management policies limit the amount of credit exposure to any one counterparty and include minimum credit quality guidelines.
112. Credit risk and liquidity risk associated with cash and investments is minimized substantially by ensuring that these financial assets are placed with major financial institutions that are rated highly by a primary rating agency and/or with other credit-worthy counterparties, in line with ICAO's principal investment objective of preservation of capital. Balances held with such institutions at the reporting dates are as follows:

| | AA | A | B | Not rated | Total |
|-----------------------------|----------------------------|-------|-------|-----------|---------|
| | <i>In thousands of CAD</i> | | | | |
| Balance at 31 December 2021 | 273 507 | 7 902 | 2 321 | 501 | 284 231 |
| Balance at 31 December 2020 | 294 534 | 5 941 | 2 951 | 555 | 303 981 |

AA includes: AA-

A includes: A+, A and A-

B includes: BBB+, BBB, BBB- and B+

113. Contributions receivable comprise amounts due from sovereign nations, and contributions from governmental donors based on binding agreements with the donor. ICAO therefore considers its credit risk to be minimal. Other than late payment of contributions in the latter part of 2021, no adverse impact on overall collectability was experienced as a result of the economic conditions due to COVID-19. Details of contributions receivable are provided in Note 2.2. As indicated in Notes 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 corporate BBB long-term bond index (long-term Canadian government bonds in 2020).
114. Receivables and advances mainly comprise advances to suppliers and employees, receivables from GAT customers, UN agencies, National Delegations, and PKD membership fees, etc. As per ICAO's Procurement Code, all advances to suppliers are supported by a bank guarantee. Other receivables are mainly from ICAO's Member States. ICAO therefore considers its credit risk to be minimal. Details of receivables and advances are provided in Note 2.3.
115. ICAO's exposure to credit rate risks is also limited by the fact that its operating budget is primarily funded through Member States' assessed contributions and the sale of goods and services. ICAO does not utilize financial instruments to hedge interest rate risk.

2.7.4 Liquidity Risk

116. The liquidity risk is the risk that ICAO will encounter difficulty fulfilling its obligations to meet its financial liabilities. ICAO's investment policy is to ensure that investments are held primarily in liquid short-term deposits. At 31 December 2021, ICAO's cash and cash equivalents, amounting to CAD 270.7 million (2020: CAD 300.8 million), were sufficient to settle current liabilities, which totaled CAD 221.0 million (2020: CAD 229.3 million). The liquidity situation is regularly monitored to ensure all short-term liabilities are settled in a timely manner.
117. Further, the Working Capital Fund, amounting to 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.
118. In the event of an emergency cash shortage, ICAO has the authority to borrow up to CAD 3.0 million commercially in order to bridge cash flow gaps, subject to prior authorization from the Finance Committee. The Royal Bank of Canada (RBC) provides an informal CAD 3.0 million line of credit as part of its service package to ICAO. Thus far, it has not been necessary for ICAO to resort to such options.

Note 2.8: Advanced Receipts

119. Advanced receipts comprise:

| | 2021 | 2020 |
|---|----------------------------|----------------|
| | <i>In thousands of CAD</i> | |
| Contributions for TC Projects | 142 055 | 166 214 |
| Assessed contributions received in advance | 8 130 | 9 880 |
| Advance payment for voluntary contributions | 7 971 | 7 131 |
| Deferred revenue | 2 520 | 954 |
| ARGF Publication Sales | 1 189 | 1 224 |
| Public Key Directory | 2 512 | 2 310 |
| Other advances | 1 840 | 1 447 |
| | 166 217 | 189 160 |

Note 2.9: Accounts Payables and Accrued Liabilities

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

| | 2021 | 2020 |
|-----------------------|----------------------------|---------------|
| | <i>In thousands of CAD</i> | |
| Trade payables | 22 177 | 8 598 |
| Due to MBP | 14 436 | 13 381 |
| Accrued liabilities | 6 419 | 6 965 |
| Payables to employees | 1 245 | 1 591 |
| Grand Total | 44 277 | 30 535 |

121. Accounts payable to suppliers are amounts invoiced for goods and services 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. In 2021, separate bank accounts were opened for the MBP Fund (in 2020, the MBP Fund shared one of the ICAO's bank accounts) under ICAO's purview.

Note 2.10: Employee Benefits

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

| | 2021 | 2020 |
|--|----------------------------|----------------|
| | <i>In thousands of CAD</i> | |
| Current | | |
| Accumulated Annual Leave | 1 439 | 1 156 |
| Repatriation | 2 835 | 2 037 |
| ASHI | 2 445 | 2 549 |
| Other benefits for international experts | 2 182 | 2 243 |
| | 8 901 | 7 985 |
| Non-current | | |
| Accumulated Annual Leave | 12 429 | 11 830 |
| Repatriation | 14 033 | 12 956 |
| ASHI | 158 277 | 186 899 |
| | 184 739 | 211 685 |
| Grand Total | 193 640 | 219 670 |

2.10.1 Defined-benefit Plans

123. ICAO offers to its employees and former employees the following defined-benefit plans.
124. ASHI plan: the Organization has an obligation to provide after-service medical benefits to its staff members in the form of insurance premiums for the MBP. Retiring staff members and their spouses, dependent children and survivors are eligible for ASHI coverage. In accordance with the Organization's Staff Regulations and Rules, a share of 50% of the monthly medical insurance premium, including coverage for spouses and dependent children, is paid by the Organization for retirees who have accumulated ten years of service in the plan. The Organization pays 50 per cent of the costs for retirees who have accumulated 10 years (including the time since retirement) of membership in the plan. The retirees with less than 10 years but at least 5 years of participation pay the full premium for the remaining period to reach the 10 years.
125. The ICAO MBP: is a self-insured health insurance plan which provides medical and dental benefits to staff members and retirees and their covered dependants worldwide. Staff members/retirees of other UN agencies operating in Montreal also participate in the scheme. ASHI is part of the scheme of social security established for staff, and provides staff members who meet defined eligibility criteria with continued MBP insurance coverage throughout their retirement under the same health insurance scheme as active staff.
126. The Plan is administered by Cigna Health Benefits. Cigna acts as third-party administrator for the general management of the plan and for the adjudication of claims. All claims paid by Cigna are reimbursed by ICAO and, in addition, an administrative fee is paid to Cigna.

127. Repatriation benefits consist of a repatriation grant lump sum, travel of the staff member and eligible dependants and removal of their personal effects. Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant lump sum, which is based on length of service, dependency status, and salary level at the time of separation.
128. The Organization also has an obligation to provide 30 days of annual leave to all Headquarters and Regional Office staff members, and they may accumulate up to 60 days (18 days for temporary staff) of annual leave payable on separation from service. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from ICAO.
129. Other employee benefits are calculated by ICAO based on personal data and past experience. These benefits include estimated repatriation benefits and annual leave due to Technical Co-operation project staff upon separation. Such project staff benefits are not covered by the ICAO Staff Regulations and Rules, but by specific conditions under Technical Co-operation projects.

2.10.2 Actuarial Valuation Results

130. The movement of employee benefits liabilities during 2021 and comparative movements for 2020 are as follows:

| | Balance 01-Jan-2021 | Benefits Paid | Current Service (net of employee contributions) | Interest Cost | Actuarial Loss/(Gain) | Balance 31-Dec-2021 |
|--|--------------------------------|--------------------------|--|--------------------------|----------------------------------|--------------------------------|
| | <i>In thousands of CAD</i> | | | | | |
| Post-retirement plan (ASHI) | 189 448 | (1 994) | 7 167 | 2 344 | (36 243) | 160 722 |
| End of service – annual leave | 12 986 | (916) | 821 | 159 | 818 | 13 868 |
| End of service – repatriation benefits | 14 993 | (918) | 978 | 179 | 1 636 | 16 868 |
| Other employee benefits – international experts | 2 243 | (249) | 188 | | | 2 182 |
| Grand Total | 219 670 | (4 077) | 9 154 | 2 682 | (33 789) | 193 640 |

| | Balance 01-Jan-2020 | Benefits Paid | Current Service (net of employee contributions) | Interest Cost | Actuarial Loss/(Gain) | Balance 31-Dec-2020 |
|--|--------------------------------|--------------------------|--|--------------------------|----------------------------------|--------------------------------|
| | <i>In thousands of CAD</i> | | | | | |
| Post-retirement plan (ASHI) | 144 621 | (2 176) | 6 180 | 2 768 | 38 055 | 189 448 |
| End of service – annual leave | 10 411 | (287) | 862 | 200 | 1 800 | 12 986 |
| End of service – repatriation benefits | 14 805 | (581) | 1 000 | 272 | (503) | 14 993 |
| Other employee benefits – international experts | 2 140 | (155) | 258 | | | 2 243 |
| Grand Total | 171 977 | (3 199) | 8 300 | 3 240 | 39 352 | 219 670 |

131. Comparative analysis of actuarial losses (and gains) for 2021 and 2020 are as follows:

| Actuarial Adjustments 2021 | ASHI | Annual Leave | Repatriation Grant | Total |
|--|----------------------------|---------------------|---------------------------|-----------------|
| | <i>In thousands of CAD</i> | | | |
| Loss (Gain) due to experience | (575) | 1475 | 2 477 | 3 377 |
| Loss (Gain) due to changes in demographic assumptions | (223) | 31 | 1 | (191) |
| Loss (Gain) due to changes in financial assumptions | (35 579) | (722) | (857) | (37 158) |
| Loss (Gain) due to fluctuations in currency exchange rates | 134 | 34 | 15 | 183 |
| Total Loss (Gain) on Accrued Benefit Obligation as at December 31, 2021 | (36 243) | 818 | 1 636 | (33 789) |

| Actuarial Adjustments 2020 | ASHI | Annual Leave | Repatriation Grant | Total |
|--|----------------------------|---------------------|---------------------------|---------------|
| | <i>In thousands of CAD</i> | | | |
| Loss (Gain) due to experience | 4 070 | 1 271 | (879) | 4 462 |
| Loss (Gain) due to changes in demographic assumptions | 18 004 | 1 | (2) | 18 003 |
| Loss (Gain) due to changes in financial assumptions | 18 402 | 752 | 687 | 19 841 |
| Loss (Gain) due to fluctuations in currency exchange rates | (2 421) | (224) | (309) | (2 954) |
| Total Loss (Gain) on Accrued Benefit Obligation as at December 31, 2020 | 38 055 | 1 800 | (503) | 39 352 |

132. Actuarial gains/losses for annual leave and repatriation benefits, plus current service costs and interest cost, including those for ASHI and excluding those of international experts which are charged to the Technical Co-operation projects, total CAD 14.1 million in 2021 (2020: CAD 12.6 million) and are included in the expense of the Revolving Fund. The accumulative ASHI actuarial loss amounted to CAD 72.8 million at the end of 2020 is offset by 2021 ASHI actuarial gain of CAD 36.2 million. At the end of 2021, the accumulative ASHI actuarial loss of CAD 36.6 million is recorded as a reserve deficit in the Revolving Fund.

2.10.3 Employee Benefits Liabilities – Sensitivity Analysis

133. The valuation of post-employment and other long-term employee liabilities is sensitive to variations in key assumptions such as the discount and health-care cost trend rates. The table below demonstrates the impact that a 1.0 per cent change in the single equivalent discount rate would have on the net defined benefit liability amounts.

| | Increase of 1% in Discount rate | Decrease of 1% in Discount rate |
|---|--|--|
| | <i>In thousands of CAD</i> | |
| Effects: Current service cost + interest cost | 831 | (1 010) |
| Effects: Accrued benefit obligation | 32 271 | (43 079) |

134. Sensitivity analysis for the Medical and Dental Trend Rates, as described in Note 2.10.5, for the post-retirement plan (ASHI) is presented in the following table:

| | Increase of 1% in Trend rate | Decrease of 1% in Trend rate |
|---|---|---|
| | <i>In thousands of CAD</i> | |
| Effects: Current service cost + interest cost | 3 293 | (2 350) |
| Effects: Accrued benefit obligation | 37 724 | (28 842) |

135. Sensitivity analysis for the Mortality Table assumptions, as described in Note 2.10.5, 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> | |
| Effects: Current service cost + interest cost | 461 | (447) |
| Effects: Accrued benefit obligation | 7 906 | (7 670) |

136. Due to the fact that no plan assets have been recognized, ICAO is not exposed to significant risk from changes in the valuation of plan assets.

137. Plan Amendments: During 2021, ICAO added one class to the Medical and Dental plan for retirees in Canada with Medicare.

2.10.4 Cost during Current and Future Periods

138. The expected contribution of ICAO in 2022 to the defined benefits plan is CAD 6.7 million, which is determined based on expected benefit payments for 2022.

| | Post Retirement Plan (ASHI) | End of service Annual Leave | End of service Repatriation Grants | Total |
|---------------------------|--|--|---|--------------|
| | <i>In thousands of CAD</i> | | | |
| Expected cost during 2022 | 2 445 | 1 439 | 2 835 | 6 719 |
| Actual cost 2021 | 1 994 | 916 | 918 | 3 828 |
| Actual cost 2020 | 2 176 | 287 | 581 | 3 044 |

139. The costs in the table above are included in the annual cash flow related to these employee benefit obligations and is limited to the payment of ICAO's 50% share of the ASHI benefits payable to the MBP administrator and actual payments for annual leave, repatriation (grants, travel and shipping of personal effects) payable on separation from service. The annual costs are financed by the Organization's Regular Budget financed primarily by assessed contributions paid by its Member States. The cash flow may be impacted by a higher-than-normal number of terminations in a particular year and an adjustment in the premium as calculated by the MBP administrator.

140. The expected average remaining service life to retirement of active employees:

| | 2021 | 2020 |
|---------------------------|-------------|-------------|
| ASHI | 10.26 years | 10.39 years |
| Annual Leave | 8.84 years | 8.92 years |
| Repatriation Grant | 7.11 years | 7.28 years |

141. The maturity of each respective plan is as follows:

| | 2021 | 2020 |
|---------------------------|------------|------------|
| ASHI | 21.8 years | 22.2 years |
| Annual Leave | 9.2 years | 9.4 years |
| Repatriation Grant | 7.1 years | 7.5 years |

2.10.5 Actuarial Assumptions and Methods

142. Liabilities arising from end of service benefits, annual leave and repatriation benefits, and ASHI benefits are determined by independent professional actuaries. These employee benefits and entitlements, described above, are established for staff members at Headquarters and Regional Offices, who are covered by ICAO Staff Rules.
143. 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 2021.

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 retirement benefits. |
| Discount Rate | 1.75 per cent for accounting and funding based on composite CAD and US dollar government bond rates weighted based on currency of post-employment liability (1.2 per cent in 31 December 2020 valuation based solely on CAD government bond rate). |
| Medical and Dental Trend Rates | Assumed increases in drugs and other health care range from 7.5 per cent to 3.85 per cent (8 per cent to 3.5 per cent in 31 December 2020 valuation) over a period of 20 years, annual increase for dental of 3.5 per cent for 20 years (3.5 per cent in 31 December 2020 valuation). |
| Expected Return on Assets | Not applicable. |
| Exchange Rate Used | USD 1.00 for CAD 1.281 (CAD 1.278 in 2020 valuation). |
| Medical and Dental Claims Cost | Based on the current experience of the ICAO's retirees: average annual costs per person at age 60 are CAD 2.5 thousand for drugs (2.7 thousand in 2020), from CAD 0.4 thousand to CAD 1.6 thousand for dental (CAD 0.4 thousand to CAD 1.7 thousand in 2020), and from CAD 0.6 thousand to 7.6 thousand for other health care (CAD 0.6 thousand to CAD 7.6 thousand in 2020). |

Age Variation of Medical and Dental Costs

Assumed annual increase:

- Cost of drugs in Canada range from 5.8 per cent at age 40 to 59 down to 0 per cent at age 85 and up (no change from 2020).
- Health care in Canada, annual increases range from 2.0 per cent up to age 59 down to .75 per cent at age 85 and up (no change from 2020).
- Health care outside Canada to range from 2.7 per cent at age 40 down to 0 per cent at age 90 and up (no change from 2020).
- Dental care is assumed to decline by 0.5 per cent per year (no change from 2020).
- Reduction of drug cost at age 65 for those covered by a public drug plan in Canada is 65 per cent (no change from 2020).

Annual Administrative Costs

For the first three months in 2021 is \$31.60 USD per Certificate per Month, then: a) From 1 April 2021 – 31 March 2022 (year 1): \$27.28 USD per month, per Certificate b) From 1 April 2022 – 31 March 2023 (year 2): \$27.83 USD per month, per Certificate c) From 1 April 2023 - 31 March 2024 (year 3): \$28.39 USD per month, per Certificate d) From 1 April 2024 – 31 March 2025 (year 4): USD 28.96 per month, per Certificate (USD 32.22 in 2020). Inflation at 2.5 per cent per year, (2.0 per cent in 2020).

Mortality Table

2017 UN ASHI headcount-weighted mortality table.

Withdrawal Rates

2021 UNJSPF assumptions vary by General Service vs Professional, starting in 2019.

Retirement Age

2021 UNJSPF assumptions vary by General Service vs Professional, starting in 2019.

Coverage of Dependents at Retirement

60 per cent (60 per cent in 2020). 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

1.75 per cent per year (1.2 per cent in 2020) based on CAD government bond rate.

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 2020). |
| Removal of Effects on Repatriation | USD 18.0 thousand per employee with eligible family members (USD 18.9 thousand in 2020), USD 13.0 thousand per employee without eligible family members (USD 13.7 thousand in 2020). Annual increases of 2.50 per cent per year thereafter. |
| Travel Costs | CAD 7.1 thousand per employee with annual increase at 2.50 per cent per year (6.0 thousand per employee in 2020). |

144. ICAO in 2021 is using a combination of the Canadian government bond rate and USA government bond rate to discount the liability related to After Service Health Insurance Liability. The composite discount rate is weighted to reflect the proportionate share of the post-employment benefit liability in each currency. It was determined that, in the case of ICAO, the use of the Government bond rates weighted by the currency of the liabilities is appropriate for the reasons provided under paragraph 85 of IPSAS 39, and because of the existence of a deep market for government bonds in both Canada and in the USA. ICAO has continued to use the Canadian Government bond rate to discount the liabilities for annual leave and repatriation benefits since these liabilities are primarily denominated in CAD. Specifically, ICAO:
- Sets the discount rates for the Defined Benefit Obligation (past service liability) based on a yield curve approach.
 - Determined the Service Costs (liabilities for benefits expected to be earned in the next year) and interest on the liability using the same discount rates developed for the Defined Benefit Obligation.
145. The assumed increases in medical costs (trend rates) are selected with reference to the latest Global Medical Trend Rates survey produced by ICAO's actuary, UN Economic Assumptions for Retiree Medical Plans, and the increases that are expected to be sustainable over the long run.
146. 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. The annual cost per person reflects ICAO's own claims experience, based on a claims study from November 28 to 31 October 2021 adjusted for select trend rates. Due to COVID -19, the claims from 1 November 2019 to 31 October 2021 were impacted. The claims for this period were normalized based on the actuary's database of claims.
147. Inflation applicable to administrative fees charged by the plan administrator is 2.5 per cent. ICAO has adopted this inflation rate developed by the UNJSPF, consistent with the assumptions implemented on ASHI plans under the UN harmonized valuation approach.
148. All other significant economic assumptions are unchanged from those in the prior years' valuation. Though not an assumption per se, exchange rates play a key role in the valuation. The UN operational rates of exchange as of 31 December 2021 are used to convert medical and dental costs

in USD to CAD. Similarly, the exchange rates are used to convert salary into CAD for the Repatriation Grant and Annual Leave. The valuation does not project for any future changes in these exchange rates.

149. In addition to the economic assumptions, the valuation uses demographic assumptions, which are assumptions about how the population will change over time. For the 31 December 2021 valuation, ICAO has adopted the 2017 UN ASHI headcount-weighted mortality table with UN projection scale as part of the efforts to harmonize with the valuation approach within the UN system entities. In March 2020, the World Health Organization (WHO) declared a state of global pandemic linked to the 2019 coronavirus disease (COVID-19). Due to COVID-19's acute impact on claims during 2020, the claims experience used to determine Medical costs have been adjusted in select months to normalize for its impact. The COVID-19 adjustment is based on a COVID study that was performed by ICAO's actuary, AON Canada, and that is not specific to ICAO. AON uses the experience from a large Canadian carrier to track the evolution of medical claims during COVID-impacted months. With that study, AON adjusts claims split by category (i.e. drugs, paramedical, vision care, other medical) to a "regular level" using normalization factors.
150. The 2021 valuation is based on updated selection patterns: MBP Class 1 members will select class 2, 4, or 5 with probabilities of 75 percent, 17 percent and 8 percent (75 per cent, 17 per cent, and 8 per cent in 2020), respectively, at time of retirement.
151. All other significant demographic assumptions are unchanged from those used in the prior valuation. All actuarial methods in the current valuation are unchanged from those in the prior valuation. All significant plan provisions are consistent with those in the prior valuation.

2.10.6 Funding for Employee Benefits Liability

152. The plan is not funded and no plan assets are held in a long-term employee benefits Fund. At present, expenditures relating to the Organization's subsidy of the ASHI are funded on a "pay-as-you-go" basis. The ASHI liability represents the present value of the share of the Organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff through their service. As of 31 December 2021, cash amounting to CAD 1.5 million is reflected in the Revolving Fund (CAD 1.5 million at 31 December 2020) following the 37th Assembly's approval of initial funding for ASHI using cash surplus of year 2009. As the contributions to the Revolving Fund are not pooled with other participating organizations operating in Montreal and as the plan is funded on a "pay-as-you-go" basis for all, the ICAO ASHI plan is a single-employer plan in accordance with IPSAS 39.

2.10.7 United Nations Joint Staff Pension Fund (UNJSPF)

153. 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.
154. 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.

155. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2021 financial statements.
156. The actuarial valuations as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent. The funded ratio was 107.1 per when the current system of pension adjustments was taken into account.
157. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, 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.
158. 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 (2018, 2019 and 2020) amount to USD 7,993.1 million, of which 0.75 per cent was contributed by ICAO.
159. In 2021, ICAO's contributions paid to UNJSPF amounted to USD 20.2 million equivalent to CAD 25.4 million (USD 19.9 million equivalent to CAD 26.7 million in 2020). Contributions due in 2022 are expected to be at the same level.
160. 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.
161. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board and the United Nations General Assembly 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.

2.10.8 Social Security Arrangements for Personnel under Service Contracts

162. 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 the 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

163. 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)

164. 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. Variations to the accumulated deficit and reserves are presented in Statement III.

165. Reserves are composed of:

| | 2021 | 2020 |
|---|----------------------------|-----------------|
| | <i>In thousands of CAD</i> | |
| Regular Activities | | |
| Carry forward of Appropriations (Statement V ⁸) | 31 068 | 22 388 |
| Operational Reserve (Statement V) | 10 942 | 11 100 |
| Reserved deficit for unrealized differences | (6 327) | (3 594) |
| Accumulated actuarial gain/(loss) on ASHI (Note 2.10.2) | (36 558) | (72 801) |
| Operational reserve for ARGF | 4 771 | 5 903 |
| Restricted surplus for ARGF | 4 167 | 7 823 |
| Amounts reserved in the Incentive Fund | 232 | 237 |
| | 8 295 | (28 944) |
| Technical Co-operation Project Activities | 19 | 9 |
| Total | 8 314 | (28 935) |

166. Reserved deficit for unrealized differences represents unrealized gains and losses on assets and on exchange differences set aside until the corresponding assets are realized.
167. A balance of CAD 4.8 million (CAD 5.9 million in 2020) is in the Operational Reserve of ARGF in accordance with Financial Regulations 7.3 and the Council Decision C-DEC 190/5.
168. Restricted surplus for ARGF includes the remaining amount of CAD 1.6 million (CAD 3.1 million in 2020) out of the initial one-time CAD 4.7 million contribution 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 2.6 million (CAD 4.7 million in 2020) earmarked for ongoing special projects and funds set aside to protect against risk of budgetary shortfalls due to the pandemic.

⁸Comprised of 2021 commitments of CAD 17.6 million and carry-over of unutilized appropriation to 2022 of CAD 13.5 million, amounting to CAD 31.1 million.

169. Included in the Technical Co-operation Project Activities Reserves is the translation adjustment from USD to CAD to reflect the Technical Co-operation Project Activities in the reporting currency (CAD).

NOTE 3: REVENUES AND EXPENSES

Note 3.1: Contributions – In-Kind

170. Under separate agreements between the Governments of Canada, Egypt, France, Peru, Senegal, Thailand, Mexico, China and the Organization, these governments undertake to bear all or part of the costs of the rental of the premises located in their respective countries. The estimated fair value of these contributions in-kind is recorded in revenue and in general operating expenses.
171. The estimated fair value of the contributions in-kind provided to the Regular Activities Segment based on the lease contracts, or on the estimated market value when there is no lease, is as follows:

| | 2021 | 2020 |
|----------|----------------------------|---------------|
| | <i>In thousands of CAD</i> | |
| Canada | 22 872 | 24 773 |
| Egypt | 142 | 137 |
| France | 779 | 783 |
| Peru | 404 | 842 |
| Senegal | 327 | 336 |
| Thailand | 2 300 | 2 502 |
| | 26 824 | 29 373 |

172. The Government of Canada provides the HQ building, Maison de l'OACI, to ICAO rent free for 20 years, commencing on 1 December 2016 and until 20 November 2036, and assumes 80 per cent of the operation and maintenance costs as well as 100 per cent of the property taxes. Also included in the above contribution in-kind from Canada, is an amount equivalent to CAD 2.0 million (CAD 1.8 million in 2020) from the Government of Quebec towards the provision of premises in the Bell Tower office in Montreal, provided for the Technical Co-operation Bureau.
173. The Civil Aviation Administration of China (CAAC) and the Government of Mexico provide a contribution in cash towards the rental of the Regional Sub-Office in Beijing and the Regional Office in Mexico City. The contributions received in 2021 amounted to CAD 0.3 million and CAD 0.5 million from CAAC and Government of Mexico, respectively, (CAD 0.3 million and CAD 0.4 million in 2020) and are included in revenue in the Statement of Financial Performance.
174. Staff services and travel are also provided free of charge by States for Regular Activities. These contributions are estimated at CAD 9.2 million in 2021 (CAD 8.6 million in 2020) and are presented for informational purposes and not recognized in the Statement of Financial Performance.
175. ICAO owns 46 per cent of the property of the EURNAT Regional Office in Paris which is fully depreciated, and the remaining 54 per cent of the property is under a nominal finance lease which represents an in-kind contribution from the Government of France. Other buildings occupied by ICAO are under operating leases or nominal leases, which are described in Note 6.

Note 3.2: Revenue

176. The main source of revenue recognized during the year comprises contributions for TCP that were implemented during the year (refer to Note 5.3 and Table C) and assessed contributions.
177. Contributions for project agreements are levied mainly in United States dollars. The total revenue recognized during the year is comprised as follows:

| | 2021 | 2020 |
|--|-----------------------------------|---------------|
| | <i>In thousands of CAD</i> | |
| Trust Fund and Management Service Agreements | 69 786 | 71 150 |
| Public Key Directory | 2 476 | 2 666 |
| Civil Aviation Purchase Services and others | 1 077 | 1 053 |
| Total: | 73 339 | 74 869 |

178. 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:

| | 2021 | 2020 |
|---|-----------------------------------|----------------|
| | <i>In thousands of CAD</i> | |
| Assessments on States as resolved by the Assembly | 95 577 | 91 970 |
| Adjustment on WCF* | | (12) |
| Exchange Differences** | 9 672 | 9 946 |
| Increase/(decrease) from cumulative discount on long-term receivables | (2 812) | 1 145 |
| Total | 102 437 | 103 049 |

*With additional assessments collected from two new member states (Tuvalu joined in 2017 and Dominica joined in 2019) on WCF, the amount of WCF exceeded USD 8 million as of the end of 2019. The adjustment was made in 2020 (the start of the new triennium) to bring the WCF amount back to USD 8.0 million.

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

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

| | 2021 | 2020 |
|---|----------------------------|---------------|
| | <i>In thousands of CAD</i> | |
| Training/assessments, courses & membership fees | 5 678 | 5 304 |
| Publication sales and printing services | 3 842 | 4 465 |
| Delegation services | 2 602 | 2 832 |
| Dangerous goods licensing fee | 2 556 | 2 618 |
| Publication royalties | 1 472 | 1 467 |
| Websites and Digital e-Products | 523 | 391 |
| User charge/Subscription fee | 1 076 | 990 |
| Licensing | 642 | 634 |
| Events and Symposia incl. Sponsorship | 384 | 313 |
| Commissariat sales | 149 | 200 |
| Periodicals/Digital Content advertising sales | 66 | 72 |
| Others | 436 | 347 |
| Total | 19 426 | 19 633 |

180. The COVID-19 pandemic had an adverse impact on other revenue-producing activities throughout the year, especially on Events and Training, as all in-person events were either cancelled or postponed. The revenue generated from Training was mainly for virtual training sessions.

181. Revenue from other voluntary contributions includes unconditional voluntary contributions received in cash, and the progressive revenue recognized for conditional voluntary contributions while projects are implemented and conditions are fulfilled. The sharp decrease is caused by the overall reduced level of contributions following the outbreak of the pandemic, as well as the postponement of certain projects' implementation activities due to COVID-related restrictions. The donated right to use for the premises are recorded as a revenue corresponding to the fair rental value equivalent in 2021 and 2020. The 2020 amount has been restated to reflect this change of the accounting policy. Refer to Note 9.

| | 2021 | 2020 (restated) |
|---------------------------------|----------------------------|-----------------|
| | <i>In thousands of CAD</i> | |
| Voluntary contributions | 6 979 | 13 987 |
| Donated right to use - premises | 26 824 | 29 373 |
| Total: | 33 803 | 43 360 |

182. Other Revenue comprises the following:

| | 2021 | 2020 |
|-------------------|----------------------------|--------------|
| | <i>In thousands of CAD</i> | |
| Exchange gains* | 148 | 1 855 |
| Service fees | 1 150 | 1 235 |
| Interest income** | 451 | 798 |
| Others | 468 | 529 |
| Total | 2 217 | 4 417 |

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

**The interest income excludes an amount of CAD 0.5 million (CAD 1.7 million in 2020) related to non-proprietary funds (mainly TCP) since they are presented as advanced receipts and as administrative overhead fee revenue in the AOSC.

183. There has been a steep decline in interest income caused by the lower interest rates (detailed in Note 2.1) as a result of the monetary policy implemented by most central banks in response to the pandemic.

Note 3.3: Expenses

3.3.1 Salaries, Employee Benefits and Project Personnel

184. Salaries include remuneration paid to employees of the Organization, international field experts, and experts under Operational Assistance Agreement (OPAS) for TCP. Employee benefits include other entitlements paid by the Organization such as health insurance, annual leave, repatriation, education, assignment and relocation grants, termination indemnities, and ICAO's contribution to the UNJSPF. Project Personnel costs include remunerations paid through ICAO's TC capacity-building projects to national staff appointed by the local governments but authorized by ICAO. The national staff are selected in line with the guidelines and process developed by TCB to ensure that the project personnel selected contribute according to the deliverables of the relevant project documents.

| | 2021 | 2020 |
|--|----------------------------|----------------|
| | <i>In thousands of CAD</i> | |
| Professional and General Service Staff | 116 497 | 114 994 |
| Consultancies & Contractors | 14 147 | 15 406 |
| TCP International Field Experts | 2 582 | 2 854 |
| TCP OPAS Experts | 5 638 | 5 817 |
| Project Personnel – National Professional | 15 904 | 17 530 |
| Project Personnel – National Admin Support | 1 716 | 1 604 |
| Others | 862 | 899 |
| Total | 157 346 | 159 104 |

3.3.2 Subcontracts, Supplies, and Consumables

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

3.3.3 General Operating Expenses

186. General Operating Expenses comprise the follows:

| | 2021 | 2020 restated |
|--|----------------------------|----------------------|
| | <i>In thousands of CAD</i> | |
| Contribution In-Kind - Premises | 26 824 | 29 373 |
| Rental and Maintenance of Premises | 2 738 | 4 330 |
| IT Hardware/Software Maintenance and Purchases | 3 096 | 3 264 |
| Outsourcing Services | 5 564 | 2 898 |
| Settlement of Agreements | 3 055 | 0 |
| Audits, Insurance, Services and UN Studies | 2 099 | 2 355 |
| Depreciation and Amortization | 1 672 | 1 586 |
| Others | 974 | 1 054 |
| Total | 46 022 | 44 860 |

187. Contribution in-kind – Premises were recorded as an expense corresponding to 2021 and 2020 fair value of the operating lease payments that would have been paid by ICAO in a commercial lease arrangement. The 2020 amount has been restated to reflect this change in accounting policy. Refer to Note 9.

3.3.4 Travel

188. Travel expense is composed of mission travel, which includes airfares, daily subsistence allowances, and terminal allowances. The decrease of travel costs in 2021 is a result of continued travel bans and restrictions throughout the whole of 2021, which caused travel to be canceled or postponed.

3.3.5 Other Expenses

189. Other expenses comprise the following:

| | 2021 | 2020 |
|--|----------------------------|--------------|
| | <i>In thousands of CAD</i> | |
| Exchange losses* | 1 250 | 496 |
| Bank charges | 321 | 398 |
| ARGF services for conferences and seminars | 15 | 20 |
| Others ** | (337) | 107 |
| Total | 1 249 | 1 021 |

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

** Negative expenses are due to different mapping of accounts used to transfer funds between Regular Activities and Technical Project Funds.

3.3.6 Exchange gains and losses

190. The Organization realizes exchange gains and losses on accounts payable and accounts receivable denominated in currencies other than its functional currencies (CAD for Regular Activities and USD for Technical Co-operation Project and Joint Financing Funds) based on the applicable UN operational exchange rate at the date of the transaction. In addition, exchange gains and losses relating to the revaluation of bank accounts and other monetary assets and liabilities not held in CAD (at the exchange rate in effect on the reporting date) are recognized in surplus and deficit. The effect of exchange gains and losses is recognized as a component of revenue and expenses on the statement of financial performance (values below in CAD). Monetary assets and liabilities related to Technical Co-operation Project and Joint Financing Funds are translated to CAD at the closing rate, and revenue and expense in the statement of financial performance are translated to CAD at an average rate.

| | 2021 | 2020 |
|------------------------------------|----------------------------|------------|
| | <i>In thousands of CAD</i> | |
| Realized exchange (gain)/losses | 1 999 | 496 |
| Un-realized exchange (gain)/losses | (749) | |
| Total Exchange losses | 1 250 | 496 |

NOTE 4: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

191. The Organization's Assembly authorizes, separately for each year of a triennium, the expenditure in CAD for the Regular Budget and approves the total indicative budget estimates of the AOSC Fund of the Technical Co-operation Programme. These two budgets are publicly available and may be subsequently amended by the Council or through the exercise of delegated authority.
192. Statement V presents the variation of approved Regular Budget 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.
193. In Statement V-A, the difference between budgeted (CAD 106.9 million) and actual revenue (CAD 114.0 million) for the Regular Budget is CAD 7.1 million. This difference is mainly attributable to the Organization's practice of assessing contributions in Canadian dollars and in US dollars (CAD 9.7 million). 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. Consequently, this exchange difference is excluded from actual amounts for comparison purposes. Another difference, for actual revenue to be on a comparable basis, also not budgeted for, is composed of discounted receivables (difference of CAD 2.8 million).
194. Statements V and V-A compare approved appropriations for the Regular Budget (CAD 129.3 million) at budget rate, and the corresponding expenses for the General Fund of the Regular Budget at the UNORE (CAD 105.7 million). In order to compare the approved Regular Budget with actual expenses, the following factors are taken into consideration: i) exchange difference (CAD 7.4 million) 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 98.3 million); ii) the recognition of outstanding

commitments, for budget purposes, foreseen to be incurred only in the following year (CAD 17.6 million) and iii) currency exchange differences (CAD 0.8 million). These factors have the effect of bringing expenses on a comparable basis (CAD 116.7 million) for the Regular Budget. The net impact resulted in a carry-over of unutilized appropriations (CAD 13.4 million).

195. 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 Budget and AOSC budget and the actual amounts.
196. 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 2021 is presented below:

| | Operating | Investing | Financing | Total |
|---|----------------------------|-----------------|-----------|-----------------|
| | <i>In thousands of CAD</i> | | | |
| Actual on a Comparable Basis (Statement V-A, column (d): | | | | |
| Revenue Regular Budget | 104 365 | | | 104 365 |
| Revenue AOSC | 5 241 | | | 5 241 |
| Expenses Regular Budget | (116 705) | | | (116 705) |
| Expenses AOSC | (9 805) | | | (9 805) |
| Budget Differences (Statement V-A, column (c)): | | | | |
| i) Net exchange differences on budgeted assessments and expenses (par. 193 and 194 above) | 2 273 | | | 2 273 |
| ii) Outstanding commitments not requiring an outlay of funds (par. 194 above) | 17 634 | | | 17 634 |
| Entity Differences (par. 197 below) | (14 069) | | | (14 069) |
| Presentation Differences (par. 198 below) | (7 932) | (11 026) | | (18 958) |
| Actual Amounts in the Statement of Cash Flow (Statement IV) | (18 998) | (11 026) | | (30 024) |

197. **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 112.3 million) less expenses (CAD 126.4 million) that are included in the Statement of Financial Performance (Statement II) and relate to other Regular Activities and Technical Co-operation Project activities. These activities and projects are generally funded by extra-budgetary resources and are excluded from the Regular Budget and the AOSC budgetary process.
198. **Presentation differences** are due to the non-cash movements from Operating Activities, Investing Activities, and Financing Activities presented in Statement IV. They arise because non-cash items are not reflected in format and classification schemes adopted for the presentation of Statement of Cash Flows (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

199. 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, Regular Activities segment and Technical Co-operation Project Activities Segment (“TCP segment”), lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements. Inter-segment transactions are reflected in the Segment Reports to accurately present these accounting transactions and then eliminated to reconcile with Statements I and II.
200. The Regular Activities Segment includes administrative fee revenue and other revenue of CAD 4.2 million (CAD 6.2 million in 2020) charged by the AOSC Fund to Technical Co-operation projects. An equivalent amount is included as administrative overhead charges, travel and other expenses in the TCP segment. The Administrative fee is charged based on the percentages agreed to in the TCP agreements. The Regular Activity Segment transfers a portion of voluntary contributions to TCP for implementation at country level. Such transfers, amounting to CAD 1.8 million (CAD 2.7 million in 2020), are reflected as revenue from contributions in TCP Segment and as other expenses in Regular Activities Segment. The amount due from TCP segment by the Regular Activities segment at 31 December 2021 amounted to CAD 0.04 million (CAD 0.2 million at 31 December 2020). These amounts are eliminated for presentation purposes.

INTERNATIONAL CIVIL AVIATION ORGANIZATION

NOTE 5.2

FINANCIAL POSITION BY SEGMENT

AT 31 DECEMBER 2021

(in thousands of Canadian dollars)

| | Notes | Regular Activities | | Technical Co-operation Project Activities | | Elimination | | Total | |
|--|---------|--------------------|-----------|--|--------------------|-------------|--------|----------|--------------------|
| | | 2021 | 2020 | 2021 | 2020 (restated) | 2021 | 2020 | 2021 | 2020 (restated) |
| ASSETS | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | |
| Cash and cash equivalents | 2.1 & 9 | 124 891 | 132 866 | 145 842 | 167 891 | | | 270 733 | 300 757 |
| Investments | 2.1 | | | 13 498 | 3 224 | | | 13 498 | 3 224 |
| Assessed contributions receivable from Member States | 2.2 | 14 568 | 4 081 | | | | | 14 568 | 4 081 |
| Inter-segment balances | | 38 | 229 | | | (38) | (229) | | |
| Receivables and advances | 2.3 & 9 | 6 929 | 5 998 | 4 987 | 6 485 | | | 11 916 | 12 483 |
| Inventories | 2.4 | 457 | 617 | | | | | 457 | 617 |
| Others | 2.3 | 1 549 | 1 245 | 3 | 6 | | | 1 552 | 1 251 |
| | | 148 432 | 145 036 | 164 330 | 177 606 | (38) | (229) | 312 724 | 322 413 |
| NON-CURRENT ASSETS | | | | | | | | | |
| Assessed contributions receivable from Member States | 2.2 | 4 153 | 5 006 | | | | | 4 153 | 5 006 |
| Receivables and advances | 2.3 | 212 | 259 | | | | | 212 | 259 |
| Property, plant and equipment | 2.5 | 5 071 | 5 761 | | | | | 5 071 | 5 761 |
| Intangible assets | 2.6 | 3 632 | 2 923 | | | | | 3 632 | 2 923 |
| | | 13 068 | 13 949 | | | | | 13 068 | 13 949 |
| TOTAL ASSETS | | 161 500 | 158 985 | 164 330 | 177 606 | (38) | (229) | 325 792 | 336 362 |
| LIABILITIES | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Advanced receipts | 2.8 | 24 162 | 22 946 | 142 055 | 166 214 | | | 166 217 | 189 160 |
| Accounts payable and accrued liabilities | 2.9 | 25 119 | 21 624 | 19 158 | 8 911 | | | 44 277 | 30 535 |
| Employee benefits | 2.10 | 6 719 | 5 742 | 2 182 | 2 243 | | | 8 901 | 7 985 |
| Inter-segment balances | | | | 38 | 229 | (38) | (229) | | |
| Credits to contracting/servicing governments | 2.11 | 1 604 | 1 594 | | | | | 1 604 | 1 594 |
| | | 57 604 | 51 906 | 163 433 | 177 597 | (38) | (229) | 220 999 | 229 274 |
| NON-CURRENT LIABILITIES | | | | | | | | | |
| Employee benefits | 2.10 | 184 739 | 211 685 | | | | | 184 739 | 211 685 |
| | | 184 739 | 211 685 | | | | | 184 739 | 211 685 |
| TOTAL LIABILITIES | | 242 343 | 263 591 | 163 433 | 177 597 | (38) | (229) | 405 738 | 440 959 |
| NET ASSETS | | | | | | | | | |
| Accumulated deficit | 2.12 | (89 138) | (75 662) | 878 | | | | (88 260) | (75 662) |
| Reserves | 2.12 | 8 295 | (28 944) | 19 | 9 | | | 8 314 | (28 935) |
| NET ASSETS/(ACCUMULATED DEFICIT) | | (80 843) | (104 606) | 897 | 9 | | | (79 946) | (104 597) |
| TOTAL LIABILITIES AND NET ASSETS | | 161 500 | 158 985 | 164 330 | 177 606 | (38) | (229) | 325 792 | 336 362 |

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 2021
(in thousands of Canadian dollars)

| | Notes | Regular Activities | | Technical Co-operation Project Activities | | Elimination | | Total | |
|---|---------|--------------------|--------------------|--|--------|-------------|---------|-----------------|--------------------|
| | | 2021 | 2020 (restated) | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 (restated) |
| REVENUE | | | | | | | | | |
| Contributions for project agreements | 3.2 & 9 | 2 476 | 2 666 | 71 545 | 74 943 | (682) | (2 740) | 73 339 | 74 869 |
| Assessed contributions | 3.2 | 102 437 | 103 049 | | | | | 102 437 | 103 049 |
| Other revenue producing activities | 3.2 | 19 460 | 19 633 | | | (34) | | 19 426 | 19 633 |
| Other voluntary contributions | 3.2 & 9 | 33 803 | 43 360 | 1 086 | | (1 086) | | 33 803 | 43 360 |
| Administrative fee revenue | | 4 445 | 7 287 | | | (4 102) | (6 144) | 343 | 1 143 |
| Other revenue | 3.2 | 1 899 | 3 582 | 399 | 886 | (81) | (51) | 2 217 | 4 417 |
| TOTAL REVENUE | | 164 520 | 179 577 | 73 030 | 75 829 | (5 985) | (8 935) | 231 565 | 246 471 |
| EXPENSES | | | | | | | | | |
| Salaries, employee benefits and project personnel | 3.3 | 129 168 | 127 887 | 28 178 | 31 217 | | | 157 346 | 159 104 |
| Subcontracts, supplies and consumables | 3.3 | 321 | 23 | 35 012 | 36 662 | | | 35 333 | 36 685 |
| General operating expenses | 3.3 & 9 | 42 390 | 44 155 | 3 666 | 705 | (34) | | 46 022 | 44 860 |
| Travel | 3.3 | 1 158 | 1 620 | 327 | 760 | (23) | (51) | 1 462 | 2 329 |
| Meetings | | 789 | 491 | | | | | 789 | 491 |
| Training | | | | 429 | 92 | | | 429 | 92 |
| Administrative overhead charges | | | | 4 159 | 6 182 | (4 159) | (6 182) | | |
| Other expenses | 3.3 | 2 637 | 3 512 | 381 | 211 | (1 769) | (2 702) | 1 249 | 1 021 |
| TOTAL EXPENSES | | 176 463 | 177 688 | 72 152 | 75 829 | (5 985) | (8 935) | 242 630 | 244 582 |
| SURPLUS/(DEFICIT) FOR THE YEAR | | (11 943) | 1 889 | 878 | | | | (11 065) | 1 889 |

Details may not add to the totals due to rounding

Note 6: Commitments and Contingencies

Note 6.1: Commitments

201. Lease commitments mainly pertain to ICAO premises.

| | 2021 | 2020 |
|--|----------------------------|------------|
| | <i>In thousands of CAD</i> | |
| Minimum obligations for property leases: | | |
| Less than 1 year | 95 | 94 |
| 1 – 5 years | 111 | 205 |
| Beyond 5 years | - | - |
| Total Property Leases Obligations | 206 | 299 |

202. The lease commitments above include the 30 per cent portion of the lease payable by ICAO for the Mexico Office. As at 31 December 2021, 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.

203. The future minimum lease revenues under non-cancellable operating leases total CAD 2.3 million for 2021 (2020: CAD 2.3 million). These lease revenues comprise the rental of premises to Delegations.

204. Under the lease agreement between ICAO and European Civil Aviation Conference (ECAC) signed on 27 August 2021, ECAC occupies a building owned by France (54%) and ICAO (46%), and ECAC reimburses ICAO for the use of the building based on actual occupation. The rent for the period of occupancy is EUR 15 thousand per month, the future lease revenue to receive from ECAC is CAD 76 thousand (EUR 60 thousand) for the current lease which expires on 30 April 2022.

The United Nations Capital Development Fund (UNCDF) also occupies the same building owned by France (54%) and ICAO (46%). Under the lease agreement between UNCDF and ICAO signed on 20 July 2021, UNCDF reimburses ICAO for the use of the building based on actual occupation. The rent for the period of occupancy is EUR 0.5 thousand per month. The future lease revenue payable by UNCDF is CAD 4 thousand (EUR 3 thousand) for the current lease which expires on 31 July 2022.

205. At year end, commitments funded by the Regular Budget for property, plant and equipment, intangible assets, and goods and services contracted but not delivered, were as shown below:

| | As at 31 December 2021 | As at 31 December 2020 |
|---|----------------------------|---------------------------|
| | <i>In thousands of CAD</i> | |
| Property, plant and equipment | 2 016 | 1 445 |
| Intangible | 842 | 357 |
| Good and services | 8 451 | 2 776 |
| Total open contractual commitments | 11 309 | 4 578 |

Note 6.2: Contingent Liabilities

206. In accordance with IPSAS, contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. In addition, the term contingent liability is used for liabilities that do not meet the recognition criteria. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2021, there were administration of justice claims brought by former ICAO staff members in which it has been determined that it is possible, but not probable, that the claims may ultimately be decided in favour of the claimants. The cases are still at early stages of the proceedings and insufficient information exists to assess whether these claims are likely to result in any significant liability to ICAO at the reporting date.
207. A number of legal actions and claims have been brought against the Organization in relation to TCP 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 2.3 million (USD 2.6 million at 31 December 2020). It has been assessed as unlikely that ICAO would incur financial liabilities given that the governments concerned have committed to the underlying project.
208. In accordance with Financial Regulation 5.6, the Secretary General is authorized to carry over unspent appropriations not exceeding 10 per cent per appropriation, for each Strategic Objective or Supporting Implementation Strategy. The carryover above 10 per cent, as detailed in Statement V, is subject to the Council's approval in June 2021.

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

| | 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> | | | | | | | |
| Year 2021 | 17 | 2 679 | 802 | 833 | 4 314 | 18 | - |
| Year 2020 | 12 | 2 594 | 526 | 838 | 3 958 | 16 | - |

209. The key management personnel (as defined by IPSAS 20) consists 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. ICAO experienced some senior management staff changes in 2021, which has directly led to an increase in number of individuals reported as Key Management Personnel.

210. 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.
211. 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.
212. 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.

Note 7.2: Related Party Transactions

213. 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 arm's length on fair value terms and conditions.

NOTE 8: EVENTS AFTER THE REPORTING DATE

214. There were no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had material impact on these statements.

NOTE 9: CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION

215. Certain prior-year amounts have been reclassified to conform to the current year's presentation. Comparative figures on Statement I, Statement II, Statement IV, Segment Reports, Table A and Table C, have been reclassified to conform to the presentation adopted in the current period for the Membership fee received by PKD, which resulted in a reclassification from other voluntary contribution to Contributions for project agreements and for the UNDP advance from cash and cash equivalents to receivables and advances.
216. During 2021, ICAO changed its accounting policy for the reporting of donated right-to-use office space. In prior periods, donated right-to-use was disclosed in the notes. From 2021, donated right-to-use is measured at the fair value of the operating lease payments which would have been paid by ICAO in a commercial lease arrangement. The in-kind revenue is recorded in the statement of financial performance as part of voluntary contributions; the corresponding expense is recorded as Contribution in Kind - Premises (see Note 3). Management considers that the new policy results in a more transparent reporting of donated right-to-use, and is consistent with UN system/common practice, making the entity's financial statements more comparable. Comparative figures for 2020 have been restated to conform to the new accounting policy (see table at end of this note and Statement II, Note 3.1 to the financial statements).

| In thousand of CAD | Notes | Statement I | Statement II | Statement IV | |
|---|-------|----------------|-----------------|---|---|
| | | | | Net cash flows from operating activities | |
| | | Assets | Net result | Increase/ (Decrease) in receivables and advances | Increase/ (Decrease) in cash and cash equivalent |
| Balance per 2020 financial statements | | 336 362 | 1 889 | 1 924 | 302 580 |
| Adjustments to 2020 opening balance not included in the published statements | | | | | |
| Reclassification cash and cash equivalents for UNDP advance | 2.1 | (1 823) | | | (1 823) |
| Reclassification UNDP advance to receivables and advances | 2.3 | 1 823 | | (1 823) | |
| Reclassification contributions for project agreements | 3.2 | | (2 582) | | |
| Reclassification other voluntary contributions | 3.2 | | 2 582 | | |
| Reclassification of 2020 balances in published statements | | 336 362 | 1 889 | 101 | 300 757 |
| Donated right-to-use | | | | | |
| Other Voluntary Contribution | | | | | |
| In-kind services, contribution of premises | 3.1 | | (29 373) | | |
| General Operating Expenses | | | | | |
| Rental and maintenance of premises | 3.3 | | 29 373 | | |
| Restated 2020 financial statement balances for change in accounting policy | | 336 362 | 1 889 | 101 | 300 757 |

PART IV: TABLES: (UNAUDITED)

Table A

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2021 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2021
(in thousands of Canadian dollars)

| | Regular Budget | Capital Fund | Revolving Fund | Ancillary Revenue Generation Funds | Administrative/Ope- rational Services Cost Funds | AVSEC Activities | AFT Plan Fund | Environment Funds | Joint Finance Funds |
|---|-----------------------|---------------------|--------------------------|---|--|----------------------|---------------------|----------------------|------------------------|
| ASSETS | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | |
| Cash and cash equivalents | 71 595 | | 1 537 | 9 267 | 9 216 | 10 458 | 588 | 1 533 | 1 707 |
| Assessed contributions receivable from Member States | 14 568 | | | | | | | | |
| Inter-fund balances | | | | | 296 | | | | |
| Receivables and advances | 1 222 | | | 3 247 | 47 | 33 | | 1 547 | 85 |
| Inventories | | | | 457 | | | | | |
| Others | 1 434 | | | 62 | 26 | 5 | | | |
| | <u>88 819</u> | | <u>1 537</u> | <u>13 033</u> | <u>9 584</u> | <u>10 496</u> | <u>588</u> | <u>3 080</u> | <u>1 792</u> |
| NON-CURRENT ASSETS | | | | | | | | | |
| Assessed contributions receivable from Member States | 4 153 | | | | | | | | |
| Receivables and advances | 212 | | | | | | | | |
| Property, plant and equipment | | 5 071 | | | | | | | |
| Intangible assets | | 3 632 | | | | | | | |
| | <u>4 365</u> | <u>8 703</u> | | | | | | | |
| TOTAL ASSETS | <u>93 184</u> | <u>8 703</u> | <u>1 537</u> | <u>13 033</u> | <u>9 584</u> | <u>10 496</u> | <u>588</u> | <u>3 080</u> | <u>1 792</u> |
| LIABILITIES | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Advanced receipts | 8 187 | | | 3 002 | 3 | | | 1 547 | |
| Accounts payable and accrued liabilities | 22 724 | | | 884 | 365 | 30 | 4 | 48 | 188 |
| Employee benefits | | | 6 719 | | | | | | |
| Inter-fund balances | 131 | | | 127 | | | | | |
| Credits to contracting/service governments | | | | | | | | | 1 604 |
| | <u>31 042</u> | | <u>6 719</u> | <u>4 012</u> | <u>368</u> | <u>30</u> | <u>4</u> | <u>1 595</u> | <u>1 792</u> |
| NON-CURRENT LIABILITIES | | | | | | | | | |
| Employee benefits | | | 184 739 | | | | | | |
| | | | <u>184 739</u> | | | | | | |
| TOTAL LIABILITIES | <u>31 042</u> | | <u>191 458</u> | <u>4 012</u> | <u>368</u> | <u>30</u> | <u>4</u> | <u>1 595</u> | <u>1 792</u> |
| NET ASSETS | | | | | | | | | |
| Accumulated surplus/(deficit) | 26 459 | 8 703 | (153 363) | 83 | 9 217 | 10 467 | 585 | 1 485 | |
| Reserves | 35 683 | | (36 558) | 8 938 | | | | | |
| NET ASSETS/(ACCUMULATED DEFICIT) | <u>62 142</u> | <u>8 703</u> | <u>(189 921)</u> | <u>9 021</u> | <u>9 217</u> | <u>10 467</u> | <u>585</u> | <u>1 485</u> | |
| TOTAL LIABILITIES AND NET ASSETS | <u>93 184</u> | <u>8 703</u> | <u>1 537</u> | <u>13 033</u> | <u>9 584</u> | <u>10 496</u> | <u>588</u> | <u>3 080</u> | <u>1 792</u> |
| REVENUE | | | | | | | | | |
| Contributions for project agreements | | | | | | | | | |
| Assessed contributions | 102 437 | | | | | | | | |
| Other revenue producing activities | | | | 19 671 | | | | | 1 |
| Other voluntary contributions | | | | 2 | | 2 246 | 63 | | |
| Administrative fee revenue | | | | | 4 506 | | | | |
| Other revenue | 750 | 1 692 | 3 835 | 127 | 735 | 41 | 4 | 55 | 6 |
| Transfer from other funds | 10 850 | | | | | | | | |
| | <u>114 037</u> | <u>1 692</u> | <u>3 835</u> | <u>19 799</u> | <u>5 241</u> | <u>2 287</u> | <u>67</u> | <u>55</u> | <u>7</u> |
| TOTAL REVENUE | <u>114 037</u> | <u>1 692</u> | <u>3 835</u> | <u>19 799</u> | <u>5 241</u> | <u>2 287</u> | <u>67</u> | <u>55</u> | <u>7</u> |
| EXPENSES | | | | | | | | | |
| Salaries, employee benefits and project personnel | 92 244 | | 14 102 | 11 951 | 8 256 | 1 466 | 45 | 606 | 5 |
| Subcontracts, supplies and consumables | 273 | | | 135 | 18 | | | | |
| General operating expenses | 11 493 | 1 672 | | 2 188 | 319 | 59 | 2 | | |
| Travel | 852 | | | 209 | 11 | 34 | 1 | 5 | |
| Meetings | 788 | | | 3 | | 14 | 2 | 7 | |
| Administrative overhead charges | | | | 184 | | 137 | 4 | 14 | |
| Other expenses | 953 | | | 233 | | 345 | 49 | | 3 |
| Transfer to other funds | | | | 9 648 | 1 202 | | | | |
| | <u>106 604</u> | <u>1 672</u> | <u>14 102</u> | <u>24 552</u> | <u>9 805</u> | <u>2 055</u> | <u>103</u> | <u>632</u> | <u>7</u> |
| TOTAL EXPENSES | <u>106 604</u> | <u>1 672</u> | <u>14 102</u> | <u>24 552</u> | <u>9 805</u> | <u>2 055</u> | <u>103</u> | <u>632</u> | <u>7</u> |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | <u>7 434</u> | <u>19</u> | <u>(10 267)</u> | <u>(4 752)</u> | <u>(4 565)</u> | <u>232</u> | <u>(36)</u> | <u>(577)</u> | |

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

Table A
(continued)REGULAR ACTIVITIES BY FUND
ASSETS, LIABILITIES, NET ASSETS AT 31 DECEMBER 2021 AND
REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2021
(in thousands of Canadian dollars)

| | Resource Mobilization Funds | Public Key Directory | Regional Sub- Office | Safe Fund | Other Funds | Total | Elimination/ Adjustments | 2021 | 2020 (restated) |
|---|-----------------------------------|-------------------------|-------------------------|--------------|--------------|------------------|-----------------------------|------------------|-------------------|
| ASSETS | | | | | | | | | |
| CURRENT ASSETS | | | | | | | | | |
| Cash and cash equivalents | 3 533 | 2 434 | 1 562 | 3 042 | 8 420 | 124 891 | | 124 891 | 132 866 |
| Assessed contributions receivable from Member States | | | | | | 14 568 | | 14 568 | 4 081 |
| Inter-fund balances | | | | | | 296 | (258) | 38 | 229 |
| Receivables and advances | | 649 | | | 99 | 6 929 | | 6 929 | 5 998 |
| Inventories | | | | | | 457 | | 457 | 617 |
| Others | | 17 | | | 5 | 1 549 | | 1 549 | 1 245 |
| | 3 533 | 3 100 | 1 562 | 3 042 | 8 525 | 148 690 | (258) | 148 432 | 145 036 |
| NON-CURRENT ASSETS | | | | | | | | | |
| Assessed contributions receivable from Member States | | | | | | 4 153 | | 4 153 | 5 006 |
| Receivables and advances | | | | | | 212 | | 212 | 259 |
| Property, plant and equipment | | | | | | 5 071 | | 5 071 | 5 761 |
| Intangible assets | | | | | | 3 632 | | 3 632 | 2 923 |
| | | | | | | 13 068 | | 13 068 | 13 949 |
| TOTAL ASSETS | 3 533 | 3 100 | 1 562 | 3 042 | 8 525 | 161 758 | (258) | 161 500 | 158 985 |
| LIABILITIES | | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | | |
| Advanced receipts | | 2 512 | | | 637 | 15 887 | 8 275 | 24 162 | 22 946 |
| Accounts payable and accrued liabilities | 157 | 588 | 17 | 2 | 114 | 25 119 | | 25 119 | 21 624 |
| Employee benefits | | | | | | 6 719 | | 6 719 | 5 742 |
| Inter-fund balances | | | | | | 258 | (258) | | |
| Credits to contracting/service governments | | | | | | 1 604 | | 1 604 | 1 594 |
| | 157 | 3 100 | 17 | 2 | 751 | 49 587 | 8 017 | 57 604 | 51 906 |
| NON-CURRENT LIABILITIES | | | | | | | | | |
| Employee benefits | | | | | | 184 739 | | 184 739 | 211 685 |
| | | | | | | 184 739 | | 184 739 | 211 685 |
| TOTAL LIABILITIES | 157 | 3 100 | 17 | 2 | 751 | 234 326 | 8 017 | 242 343 | 263 591 |
| NET ASSETS | | | | | | | | | |
| Accumulated surplus/(deficit) | 3 376 | | 1 545 | 3 040 | 7 542 | (80 863) | (8 275) | (89 138) | (75 662) |
| Reserves | | | | | 232 | 8 295 | | 8 295 | (28 944) |
| NET ASSETS (ACCUMULATED DEFICIT) | 3 376 | | 1 545 | 3 040 | 7 774 | (72 568) | (8 275) | (80 843) | (104 606) |
| TOTAL LIABILITIES AND NET ASSETS | 3 533 | 3 100 | 1 562 | 3 042 | 8 525 | 161 758 | (258) | 161 500 | 158 985 |
| REVENUE | | | | | | | | | |
| Contributions for project agreements | | 2 476 | | | | 2 476 | | 2 476 | 2 666 |
| Assessed contributions | | | | | | 102 437 | | 102 437 | 103 049 |
| Other revenue producing activities | | | | | 414 | 20 086 | (626) | 19 460 | 19 633 |
| Other voluntary contributions | 1 945 | | 699 | 455 | 2 392 | 7 801 | 26 002 | 33 803 | 43 360 |
| Administrative fee revenue | | | | | | 4 505 | (60) | 4 445 | 7 287 |
| Other revenue | 41 | 12 | 60 | 18 | 849 | 8 224 | (6 325) | 1 899 | 3 582 |
| Transfer from other funds | | | | | | 10 850 | (10 850) | | |
| TOTAL REVENUE | 1 986 | 2 488 | 759 | 473 | 3 655 | 156 379 | 8 141 | 164 520 | 179 577 |
| EXPENSES | | | | | | | | | |
| Salaries, employee benefits and project personnel | 224 | 2 339 | 292 | 37 | 2 293 | 133 859 | (4 691) | 129 168 | 127 887 |
| Subcontracts, supplies and consumables | | | 11 | | | 437 | (116) | 321 | 23 |
| General operating expenses | 67 | 18 | 437 | | 501 | 16 756 | 25 634 | 42 390 | 44 155 |
| Travel | 9 | 10 | 2 | | | 25 | | 1 158 | 1 620 |
| Meetings | | | | | 12 | 827 | (38) | 789 | 491 |
| Administrative overhead charges | 135 | 85 | 4 | 32 | 217 | 811 | (811) | | |
| Other expenses | 759 | 36 | 12 | 300 | 112 | 2 803 | (1 666) | 2 637 | 3 512 |
| Transfer to other funds | | | | | | 10 850 | (10 850) | | |
| TOTAL EXPENSES | 1 194 | 2 488 | 758 | 368 | 3 160 | 167 501 | 8 962 | 176 463 | 177 688 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | 792 | | 1 | 104 | 495 | (11 122) | (821) | (11 943) | 1 889 |

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TABLE B

REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2021
(in thousands of Canadian dollars)

| Member States Assembly Resolutions A40-34 and A40-30 | General Fund | | | | | Total Balances Receivable | Cumulative Exchange | Total Adjusted Balances Receivable | Contributions Received in Advance |
|---|----------------|---------------------|----------------------------------|---|---|------------------------------|------------------------|--|---|
| | Scales 2021 | Assessments 2021 | Assessments Received for 2021 | Balance of Assessments Receivable for 2021 | Balance of Prior Years' Assessments Receivable | | | | |
| Afghanistan | 0.06 | 63 | | 63 | 48 | 111 | | 111 | |
| Albania | 0.06 | 63 | 63 | | | | | | |
| Algeria | 0.11 | 116 | 116 | | | | | | |
| Andorra | 0.06 | 63 | 63 | | | | | | |
| Angola (*) | 0.08 | 84 | | 84 | 190 | 274 | | 274 | |
| Antigua and Barbuda (**) | 0.06 | 63 | | 63 | 1 243 | 1 306 | 182 | 1 488 | |
| Argentina | 0.70 | 737 | | 737 | | 737 | 1 | 737 | |
| Armenia | 0.06 | 63 | 63 | | | | | | 67 |
| Australia | 1.91 | 2 010 | 2 010 | | | | | | 2 119 |
| Austria | 0.55 | 579 | 579 | | | | | | |
| Azerbaijan | 0.07 | 74 | 74 | | | | | | |
| Bahamas | 0.06 | 63 | 63 | | | | | | |
| Bahrain | 0.09 | 95 | 95 | | | | | | |
| Bangladesh | 0.09 | 95 | 95 | | | | | | |
| Barbados | 0.06 | 63 | 63 | | | | | | |
| Belarus | 0.06 | 63 | 63 | | | | | | |
| Belgium | 0.70 | 737 | 737 | | | | | | |
| Belize | 0.06 | 63 | 63 | | | | | | |
| Benin | 0.06 | 63 | 63 | | | | | | |
| Bhutan | 0.06 | 63 | 63 | | | | | | |
| Bolivia (Plurinational State of) | 0.06 | 63 | 63 | | | | | | |
| Bosnia and Herzegovina | 0.06 | 63 | 63 | | | | | | |
| Botswana | 0.06 | 63 | | 63 | 61 | 124 | | 124 | |
| Brazil | 2.27 | 2 389 | 2 389 | | | | | | |
| Brunei Darussalam | 0.06 | 63 | 63 | | | | | | |
| Bulgaria | 0.06 | 63 | 63 | | | | | | |
| Burkina Faso | 0.06 | 63 | 63 | | | | | | |
| Burundi | 0.06 | 63 | | 63 | 61 | 124 | | 124 | |
| Cabo Verde | 0.06 | 63 | 63 | | | | | | |
| Cambodia | 0.06 | 63 | 63 | | | | | | 13 |
| Cameroon | 0.06 | 63 | 63 | | | | | | |
| Canada | 2.51 | 2 642 | 2 642 | | | | | | 1 639 |
| Central African Republic | 0.06 | 63 | 63 | | | | | | |
| Chad | 0.06 | 63 | 63 | | | | | | |
| Chile | 0.41 | 432 | 432 | | | | | | |
| China | 11.39 | 11 988 | 11 988 | | | | | | |
| Colombia | 0.32 | 337 | 334 | 2 | | 2 | | 2 | |
| Comoros | 0.06 | 63 | 63 | | | | | | |
| Congo | 0.06 | 63 | 63 | | | | | | |
| Cook Islands | 0.06 | 63 | 63 | | | | | | |
| Costa Rica | 0.06 | 63 | 63 | | | | | | 67 |
| Côte d'Ivoire | 0.06 | 63 | 63 | | | | | | |
| Croatia | 0.06 | 63 | 63 | | | | | | |
| Cuba | 0.06 | 63 | 63 | | | | | | |
| Cyprus | 0.06 | 63 | 63 | | | | | | |
| Czechia | 0.24 | 253 | 253 | | | | | | |
| Democratic People's Republic of Korea | 0.06 | 63 | | 63 | 61 | 124 | | 124 | |
| Democratic Republic of the Congo | 0.06 | 63 | | 63 | 145 | 208 | (2) | 205 | |
| Denmark | 0.42 | 442 | 442 | | | | | | |
| Djibouti (*) | 0.06 | 63 | | 63 | 848 | 911 | 142 | 1 053 | |
| Dominica (**) | 0.06 | 63 | | 63 | 111 | 174 | (2) | 172 | |
| Dominican Republic | 0.06 | 63 | 63 | | | | | | |
| Ecuador | 0.07 | 74 | 3 | 70 | | 70 | | 70 | |
| Egypt | 0.23 | 242 | 242 | | | | | | |
| El Salvador | 0.06 | 63 | 36 | 27 | | 27 | | 27 | |
| Equatorial Guinea | 0.06 | 63 | 63 | | | | | | 27 |
| Eritrea | 0.06 | 63 | | 63 | 86 | 149 | | 148 | |
| Estonia | 0.06 | 63 | 63 | | | | | | |
| Eswatini | 0.06 | 63 | 62 | 1 | | 1 | | 1 | |
| Ethiopia | 0.22 | 232 | | 232 | | 232 | | 232 | |
| Fiji | 0.06 | 63 | 63 | | | | | | |
| Finland | 0.41 | 432 | 432 | | | | | | 455 |
| France | 3.66 | 3 852 | 3 852 | | | | | | |
| Gabon | 0.06 | 63 | 63 | | | | | | |
| Gambia | 0.06 | 63 | | 63 | 214 | 277 | (2) | 275 | |

INTERNATIONAL CIVIL AVIATION ORGANIZATION
REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2021
(in thousands of Canadian dollars)

TABLE B
(continued)

| Member States Assembly Resolutions A40-34 and A40-30 | General Fund | | | | Total Balances Receivable | Cumulative Exchange | Total Adjusted Balances Receivable | Contributions Received in Advance |
|---|----------------|---------------------|----------------------------------|---|---|------------------------|--|---|
| | Scales 2021 | Assessments 2021 | Assessments Received for 2021 | Balance of Assessments Receivable for 2021 | Balance of Prior Years' Assessments Receivable | | | |
| Georgia | 0.06 | 63 | 63 | | | | | |
| Germany | 5.08 | 5 347 | 5 347 | | | | | |
| Ghana | 0.06 | 63 | 63 | | | | | |
| Greece | 0.28 | 295 | 295 | | | | | |
| Grenada | 0.06 | 63 | 63 | | 313 | 313 | 20 | 333 |
| Guatemala | 0.06 | 63 | 63 | | | | | |
| Guinea (*) | 0.06 | 63 | 63 | 63 | 199 | 262 | 20 | 282 |
| Guinea-Bissau | 0.06 | 63 | 63 | | | | | |
| Guyana | 0.06 | 63 | 63 | | | | | |
| Haiti | 0.06 | 63 | 63 | 63 | 338 | 401 | (4) | 397 |
| Honduras | 0.06 | 63 | 63 | | | | | |
| Hungary | 0.23 | 242 | 242 | | | | | 255 |
| Iceland | 0.08 | 84 | 84 | | | | | |
| India | 0.95 | 1 000 | 1 000 | | | | | |
| Indonesia (**) | 0.59 | 621 | 621 | | | | | |
| Iran (Islamic Republic of) | 0.34 | 358 | | 358 | 1 493 | 1 851 | (18) | 1 833 |
| Iraq | 0.10 | 105 | 105 | | | | | 9 |
| Ireland | 0.72 | 758 | 758 | | | | | |
| Israel | 0.43 | 453 | 453 | | | | | 477 |
| Italy | 2.44 | 2 568 | 2 568 | | | | | |
| Jamaica | 0.06 | 63 | 63 | | | | | |
| Japan | 6.64 | 6 989 | 6 989 | | | | | |
| Jordan | 0.06 | 63 | 63 | | | | | |
| Kazakhstan | 0.15 | 158 | 158 | | | | | |
| Kenya | 0.06 | 63 | 63 | | | | | 67 |
| Kiribati | 0.06 | 63 | 53 | 10 | | 10 | | 10 |
| Kuwait | 0.21 | 221 | 221 | | | | | |
| Kyrgyzstan | 0.06 | 63 | 50 | 13 | | 13 | | 13 |
| Lao People's Democratic Republic | 0.06 | 63 | 63 | | | | | |
| Latvia | 0.06 | 63 | 63 | | | | | 67 |
| Lebanon | 0.06 | 63 | | 63 | | 63 | | 63 |
| Lesotho | 0.06 | 63 | | 63 | 61 | 124 | | 124 |
| Liberia (*) | 0.06 | 63 | | 63 | 229 | 292 | 28 | 320 |
| Libya | 0.06 | 63 | | 63 | 448 | 511 | (9) | 502 |
| Lithuania | 0.06 | 63 | 63 | | | | | |
| Luxembourg | 0.28 | 295 | 295 | | | | | |
| Madagascar | 0.06 | 63 | 63 | | | | | |
| Malawi | 0.06 | 63 | | 63 | 893 | 957 | 75 | 1 032 |
| Malaysia | 0.52 | 547 | 547 | | | | | |
| Maldives | 0.06 | 63 | 63 | | | | | |
| Mali | 0.06 | 63 | 63 | | | | | |
| Malta | 0.06 | 63 | 63 | | | | | |
| Marshall Islands | 0.06 | 63 | 63 | | | | | |
| Mauritania | 0.06 | 63 | 63 | | | | | |
| Mauritius | 0.06 | 63 | 63 | | | | | |
| Mexico | 1.10 | 1 158 | 1 158 | | | | | |
| Micronesia (Federated States of) | 0.06 | 63 | | 63 | 414 | 477 | | 477 |
| Monaco | 0.06 | 63 | 63 | | | | | |
| Mongolia | 0.06 | 63 | 63 | | | | | |
| Montenegro | 0.06 | 63 | 63 | | | | | 67 |
| Morocco | 0.12 | 126 | 126 | | | | | |
| Mozambique | 0.06 | 63 | 63 | | | | | 9 |
| Myanmar | 0.06 | 63 | 62 | 1 | | 1 | | 1 |
| Namibia | 0.06 | 63 | 63 | | | | | |
| Nauru | 0.06 | 63 | 63 | | | | | 4 |
| Nepal | 0.06 | 63 | 27 | 36 | | 36 | | 36 |
| Netherlands | 1.43 | 1 505 | 1 505 | | | | | 653 |
| New Zealand | 0.34 | 358 | 358 | | | | | 377 |
| Nicaragua | 0.06 | 63 | 63 | | | | | |
| Niger | 0.06 | 63 | 63 | | | | | |
| Nigeria | 0.18 | 189 | 189 | | | | | |
| North Macedonia | 0.06 | 63 | 63 | | | | | |
| Norway | 0.66 | 695 | 695 | | | | | |
| Oman | 0.15 | 158 | 158 | | | | | 68 |
| Pakistan | 0.16 | 168 | 68 | 101 | | 101 | | 101 |

INTERNATIONAL CIVIL AVIATION ORGANIZATION

TABLE B
(continued)REGULAR PROGRAMME
ASSESSMENTS RECEIVABLE FROM MEMBER STATES
AND CONTRIBUTIONS RECEIVED IN ADVANCE
AS AT 31 DECEMBER 2021

(in thousands of Canadian dollars)

| Member States Assembly Resolutions A40-34 and A40-30 | General Fund | | | | | Total Balances Receivable | Cumulative Exchange | Total Adjusted Balances Receivable | Contributions Received in Advance |
|---|----------------|---------------------|----------------------------------|---|---|------------------------------|------------------------|--|---|
| | Scales 2021 | Assessments 2021 | Assessments Received for 2021 | Balance of Assessments Receivable for 2021 | Balance of Prior Years' Assessments Receivable | | | | |
| Palau | 0.06 | 63 | | 63 | 683 | 746 | 18 | 764 | |
| Panama | 0.12 | 126 | 126 | | | | | | |
| Papua New Guinea | 0.06 | 63 | | 63 | 51 | 114 | | 114 | |
| Paraguay | 0.06 | 63 | 63 | | | | | | |
| Peru | 0.19 | 200 | 120 | 80 | | 80 | | 80 | |
| Philippines | 0.35 | 368 | 368 | | | | | | |
| Poland | 0.60 | 631 | 631 | | | | | | |
| Portugal | 0.37 | 389 | 389 | | | | | | 410 |
| Qatar | 1.05 | 1 105 | 1 105 | | | | | | |
| Republic of Korea | 2.21 | 2 326 | 2 326 | | | | | | |
| Republic of Moldova | 0.06 | 63 | 63 | | | | | | 67 |
| Romania | 0.15 | 158 | 158 | | | | | | |
| Russian Federation | 2.23 | 2 347 | 2 347 | | | | | | |
| Rwanda | 0.06 | 63 | 63 | | | | | | 62 |
| Saint Kitts and Nevis | 0.06 | 63 | 63 | | | | | | |
| Saint Lucia | 0.06 | 63 | 63 | | | | | | |
| Saint Vincent and the Grenadines | 0.06 | 63 | | 63 | 157 | 220 | (2) | 218 | |
| Samoa | 0.06 | 63 | 63 | | | | | | |
| San Marino | 0.06 | 63 | 63 | | | | | | |
| Sao Tome and Principe | 0.06 | 63 | | 63 | 1 014 | 1 077 | 112 | 1 189 | |
| Saudi Arabia | 1.04 | 1 095 | 1 095 | | | | | | |
| Senegal | 0.06 | 63 | 63 | | | | | | |
| Serbia | 0.06 | 63 | 63 | | | | | | |
| Seychelles | 0.06 | 63 | | 63 | | 63 | | 63 | |
| Sierra Leone (*) | 0.06 | 63 | | 63 | 100 | 163 | 11 | 174 | |
| Singapore | 0.93 | 979 | 979 | | | | | | 1 032 |
| Slovakia | 0.11 | 116 | 116 | | | | | | 122 |
| Slovenia | 0.06 | 63 | 63 | | | | | | |
| Solomon Islands | 0.06 | 63 | | 63 | 25 | 88 | | 88 | |
| Somalia | 0.06 | 63 | | 63 | | 63 | | 63 | |
| South Africa | 0.29 | 305 | 305 | | | | | | |
| South Sudan | 0.06 | 63 | | 63 | 401 | 464 | (3) | 461 | |
| Spain | 1.78 | 1 873 | 1 873 | | | | | | |
| Sri Lanka | 0.08 | 84 | 16 | 68 | | 68 | | 68 | |
| Sudan | 0.06 | 63 | 54 | 9 | | 9 | | 9 | |
| Suriname | 0.06 | 63 | | 63 | 302 | 365 | (5) | 360 | |
| Sweden | 0.67 | 705 | 705 | | | | | | |
| Switzerland | 1.01 | 1 063 | 1 063 | | | | | | |
| Syrian Arab Republic | 0.06 | 63 | | 63 | 471 | 535 | 6 | 541 | |
| Tajikistan | 0.06 | 63 | 10 | 53 | | 53 | | 53 | |
| Thailand | 0.58 | 610 | 610 | | | | | | |
| Timor-Leste | 0.06 | 63 | | 63 | 11 | 74 | | 74 | |
| Togo | 0.06 | 63 | 63 | | | | | | |
| Tonga | 0.06 | 63 | | 63 | 150 | 214 | (2) | 212 | |
| Trinidad and Tobago | 0.06 | 63 | 63 | | | | | | |
| Tunisia | 0.06 | 63 | 63 | | | | | | |
| Turkey | 1.60 | 1 684 | 1 684 | | | | | | |
| Turkmenistan | 0.06 | 63 | | 63 | 61 | 124 | | 124 | |
| Tuvalu | 0.06 | 63 | 1 | 62 | | 62 | | 62 | |
| Uganda | 0.06 | 63 | 63 | | | | | | |
| Ukraine | 0.08 | 84 | 84 | | | | | | |
| United Arab Emirates | 2.17 | 2 284 | 2 284 | | | | | | |
| United Kingdom | 4.19 | 4 410 | 4 410 | | | | | | |
| United Republic of Tanzania | 0.06 | 63 | 63 | | | | | | |
| United States | 20.50 | 21 576 | 10 788 | 10 788 | | 10 788 | 11 | 10 799 | |
| Uruguay | 0.06 | 63 | 63 | | | | | | |
| Uzbekistan | 0.06 | 63 | 63 | | | | | | |
| Vanuatu | 0.06 | 63 | 63 | | | | | | |
| Venezuela (Bolivarian Republic of) | 0.51 | 537 | | 537 | 67 | 603 | (1) | 602 | |
| Viet Nam | 0.18 | 189 | | 189 | | 189 | | 190 | |
| Yemen | 0.06 | 63 | | 63 | 126 | 189 | (2) | 187 | |
| Zambia | 0.06 | 63 | 63 | | | | | | |
| Zimbabwe | 0.06 | 63 | | 63 | 10 | 73 | | 73 | |
| The former Socialist Federal Republic of Yugoslavia (1) | | | | | 501 | 501 | 153 | 654 | |
| TOTAL | 100.00 | 105 249 | 89 642 | 15 607 | 11 586 | 27 193 | 725 | 27 918 | 8 130 |

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 2021.

** Receivable amounts include Working Capital Fund.

Details may not add to the 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 2021 AND
 REVENUE, EXPENSES AND SURPLUS (DEFICIT) FOR 2021
 (in thousands of Canadian dollars)

| | United Nations Development Programme | iPACK Funds | Trust Funds, Management Service Agreements and Others | Civil Aviation Purchasing Services Funds | Elimination | 2021 | 2020 (restated) |
|---|--|--------------|--|--|-----------------|----------------|--------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | | 923 | 139 866 | 5 053 | | 145 842 | 167 891 |
| Investments | | | 13 498 | | | 13 498 | 3 224 |
| Inter-fund balances | | | 1 453 | | (1 453) | | |
| Receivables and advances | 1 714 | | 3 274 | | | 4 987 | 6 485 |
| Others | 3 | | | | | 3 | 6 |
| TOTAL ASSETS | 1 717 | 923 | 158 089 | 5 053 | (1 453) | 164 330 | 177 606 |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Advanced receipts | | | 137 088 | 4 967 | | 142 055 | 166 214 |
| Accounts payable and accrued liabilities | 221 | 27 | 18 824 | 87 | | 19 158 | 8 911 |
| Employee benefits | 19 | | 2 163 | | | 2 182 | 2 243 |
| Inter-fund balances | 1 491 | | | | (1 453) | 38 | 229 |
| TOTAL LIABILITIES | 1 730 | 27 | 158 076 | 5 053 | (1 453) | 163 433 | 177 597 |
| NET ASSETS | | | | | | | |
| Accumulated surplus/(deficit) | | 877 | | | | 878 | |
| Reserves * | (14) | 19 | 14 | | | 19 | 9 |
| NET ASSETS (ACCUMULATED DEFICIT) | (14) | 896 | 14 | | | 897 | 9 |
| TOTAL LIABILITIES AND NET ASSETS | 1 717 | 923 | 158 089 | 5 053 | (1 453) | 164 330 | 177 606 |
| REVENUE | | | | | | | |
| Contributions for project agreements | | 657 | 69 989 | 899 | | 71 545 | 74 943 |
| Other voluntary contributions | | 1 086 | | | | 1 086 | |
| Other revenue | | | 399 | | | 399 | 886 |
| TOTAL REVENUE | | 1 744 | 70 388 | 899 | | 73 030 | 75 829 |
| EXPENSES | | | | | | | |
| Salaries, employee benefits and project personnel | | 436 | 27 683 | 59 | | 28 178 | 31 217 |
| Subcontracts, supplies and consumables | | 347 | 33 850 | 815 | | 35 012 | 36 662 |
| General operating expenses | | 42 | 3 624 | | | 3 666 | 705 |
| Travel | | | 327 | | | 327 | 760 |
| Training | | | 429 | | | 429 | 92 |
| Administrative overhead charges | | 40 | 4 095 | 24 | | 4 159 | 6 182 |
| Other expenses | | 1 | 380 | 1 | | 381 | 211 |
| TOTAL EXPENDITURE | | 866 | 70 388 | 899 | | 72 152 | 75 829 |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 878 | | | | 878 | |

* Reserves comprise translation differences

Details may not add to the totals due to rounding

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of United States dollars)

| | Type of Fund | Balance as at 01/01/2021 | Adjustment | Receipts | | Expenses | | Transfer from or to Other Funds | Refund of Contributions | Unrealized Exchange Gain or Loss | Balance as at 31/12/2021 |
|-------------------------------------|--------------|--------------------------|------------|------------------------------|---------------------------|---------------|-------------------------|---------------------------------|-------------------------|----------------------------------|--------------------------|
| | | | | Contributions ⁽¹⁾ | Interest and Other Income | Project Costs | Administrative Overhead | | | | |
| Afghanistan | MSA | 787 | | | 1 | (0) | | (787) | | | 0 |
| Andorra | MSA | | | 29 | | 19 | 2 | | | | 8 |
| Angola | MSA | 1 229 | | | | 554 | 56 | | | (1) | 619 |
| Argentina | MSA | 15 098 | (95) | 4 250 | 7 | 8 180 | 407 | (147) | | (197) | 10 330 |
| Bahamas | IPAV | | | | | | | | | | |
| Bolivia | MSA | 282 | | 661 | | 79 | 7 | (0) | (39) | (0) | 818 |
| Bolivia | TF | | | | | | | | | | |
| Botswana | TF | | | | | | | | | | |
| Brazil | MSA | 272 | | | | (4) | 1 | | | | 276 |
| Cabo Verde | MSA | 75 | | | | 31 | 0 | | (43) | | 0 |
| Colombia | MSA | 34 | | 143 | | 63 | 3 | | | (0) | 110 |
| Costa Rica | MSA | 430 | | | 1 | | | | | | 431 |
| Cyprus | MSA | 251 | | 150 | | 168 | 17 | | | (0) | 217 |
| Czechia | MSA | 38 | | | 0 | 0 | 0 | | (38) | | 0 |
| Denmark | MSA | (0) | | | | | | 0 | | | |
| Djibouti | MSA | 9 | | | | | | (9) | | | |
| East Timor | MSA | | | | | | | 177 | | | 177 |
| Ecuador | MSA | 599 | | | 1 | 24 | 10 | | | | 565 |
| Finland | MSA | | | | | | | | | | |
| Ghana | MSA | | | | | | | | | | |
| Greece | MSA | 416 | | | 0 | 312 | 35 | | | (2) | 67 |
| Guatemala | MSA | 310 | | | 0 | 0 | | | | | 311 |
| Haiti | MSA | 7 | | | | (0) | (0) | | | | 7 |
| Honduras | MSA | 9 084 | | | 15 | 261 | (623) | | (9 439) | (0) | 22 |
| INTER-REGIONAL | TF | | | | | | | | | | |
| India | MSA | 210 | | 495 | 0 | 74 | 7 | (2) | (146) | | 476 |
| Indonesia | MSA | 935 | | 215 | 1 | 356 | 17 | (114) | | (2) | 663 |
| Iran, Islamic Republic of | MSA | (0) | | | | | | 0 | | | |
| Italy | MSA | 18 | | | 0 | 5 | 0 | | | | 13 |
| Kuwait | MSA | 2 402 | | 1 026 | | 898 | 90 | | | (0) | 2 440 |
| Lebanon | MSA | 134 | | 900 | 1 | 307 | 31 | | (86) | (1) | 612 |
| Mali | MSA | 15 | | | | 1 | 0 | | | | 14 |
| Mauritania | MSA | 29 | | | | 17 | 0 | | | | 11 |
| Mexico | IPAV | 5 | | | | | | (5) | | | |
| Mexico | MSA | 172 | | 73 | 0 | 120 | 9 | | | | 116 |
| Mexico | TF | 119 | | 2 143 | | 268 | 23 | | | (0) | 1 970 |
| Myanmar | MSA | 317 | | | | 0 | 0 | | (317) | | |
| Namibia | MSA | 440 | | | | 126 | 13 | (105) | | (0) | 197 |
| Nepal | MSA | 11 | | | | | | (11) | | | |
| Oman | MSA | 86 | | | | | | (86) | | | (0) |
| Pakistan | MSA | | | | | | | | | | |
| Panama | MSA | 400 | | 2 196 | | 749 | 70 | (1) | | 0 | 1 776 |
| Panama | TF | 28 450 | | 11 895 | 33 | 18 609 | 994 | | | (0) | 20 775 |
| Paraguay | MSA | 7 427 | | | 4 | 1 046 | 165 | | | (0) | 6 220 |
| Peru | MSA | 12 463 | | 3 707 | 0 | 7 176 | 962 | (15) | | (32) | 7 986 |
| Philippines | MSA | 66 | | | | | 1 | | | | 65 |
| Qatar | MSA | 12 | | | 0 | | | (12) | | 0 | 0 |
| REGIONAL FOR AFRICA | MSA | 6 585 | | 312 | 7 | 937 | 36 | (68) | (44) | (66) | 5 752 |
| REGIONAL FOR ASIA | MSA | 2 221 | | 300 | 3 | 359 | 10 | | | | 2 155 |
| REGIONAL FOR ASIA | TF | 6 311 | | 1 550 | 10 | 1 064 | 122 | 58 | | (1) | 6 742 |
| REGIONAL FOR EUROPE | TF | 133 | | | 0 | 98 | 7 | | | | 28 |
| REGIONAL FOR EUROPE AND MIDDLE EAST | MSA | 596 | | 200 | 0 | 200 | 20 | | | | 577 |
| REGIONAL FOR EUROPE AND MIDDLE EAST | TF | 377 | | 165 | 1 | 206 | 21 | | | (0) | 315 |
| REGIONAL FOR LATIN AMERICA | IPAV | 37 | | | | | | | | | 37 |
| REGIONAL FOR LATIN AMERICA | MSA | 887 | | 407 | 0 | 263 | 11 | (94) | | (0) | 927 |
| REGIONAL FOR LATIN AMERICA | TF | 3 898 | | 1 746 | 7 | 1 340 | 181 | 145 | | (0) | 4 274 |
| Republic of Korea | MSA | 4 | | | | | | | | | 4 |
| Republic of the Congo | MSA | 569 | | | | 265 | 27 | 0 | | (0) | 276 |
| Rwanda | MSA | 30 | | | | | | (30) | | 0 | 0 |

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TRUST FUNDS AND MANAGEMENT SERVICE AGREEMENTS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(in thousands of United States dollars)

| | Type of Fund | Balance as at 01/01/2021 | Adjustment | Receipts | | Expenses | | Transfer from or to Other Funds | Refund of Contributions | Unrealized Exchange Gain or Loss | Balance as at 31/12/2021 |
|---------------------------------------|--------------|--------------------------|------------|------------------------------|---------------------------|---------------|-------------------------|---------------------------------|-------------------------|----------------------------------|--------------------------|
| | | | | Contributions ⁽¹⁾ | Interest and Other Income | Project Costs | Administrative Overhead | | | | |
| Saudi Arabia | MSA | 4 463 | | 14 400 | 333 | 4 168 | 377 | 57 | | (2) | 14 706 |
| Seychelles | MSA | | | | | | | | | | |
| Sierra Leone | MSA | 3 | | | | | | (3) | | | |
| Singapore | MSA | 34 | | 44 | 0 | 0 | 0 | (44) | (34) | | (0) |
| Singapore | TF | 109 | | 115 | 0 | 102 | 5 | | | | 116 |
| Somalia | MSA | 12 180 | (73) | | | 3 520 | 77 | (503) | | (0) | 8 007 |
| Somalia | TF | 546 | | | 2 | 0 | | 503 | | | 1 051 |
| South Sudan | MSA | 10 | | | 0 | 2 | 0 | | | | 8 |
| Spain | MSA | 28 | | 52 | 0 | 45 | 2 | | | 0 | 32 |
| Sudan | MSA | 17 | | | 0 | | | | | | 17 |
| Thailand | MSA | 79 | | | 0 | 70 | 7 | | (1) | | 2 |
| Turkey | MSA | 13 | | | | | | (13) | | | |
| United Republic of Tanzania | MSA | 925 | | 200 | | 22 | 2 | | | (0) | 1 101 |
| Uruguay | MSA | 1 521 | | 748 | 2 | 564 | 54 | (34) | | 0 | 1 617 |
| Venezuela (Bolivarian Republic of) | MSA | 118 | | | 0 | | | | | | 119 |
| | LS | 880 | | 185 | 0 | 185 | 18 | 82 | | (0) | 944 |
| Funds held on behalf of third parties | | 2 311 | 244 | | | | | | | | 2 555 |
| Total | | 127 515 | 77 | 48 304 | 431 | 52 849 | 3 274 | (1 060) | (10 186) | (303) | 108 656 |
| Equivalent Canadian Dollars | | 159 672 | 98 | 61 570 | 541 | 65 912 | 4 096 | (1 358) | (13 048) | (380) | 137 088 |

(1): On Cash Basis

Details may not add to the totals due to rounding

Table E

INTERNATIONAL CIVIL AVIATION ORGANIZATION
TECHNICAL CO-OPERATION PROJECT ACTIVITIES
CIVIL AVIATION PURCHASING SERVICE FUNDS
RECEIPTS, EXPENSES AND BALANCE OF ADVANCE RECEIPTS
FOR THE PERIOD ENDING 31 DECEMBER 2021
(in thousands of United States dollars)

| | Type of Fund | Balance as at 01/01/2021 | Income | Expenditure | | Transfer from or to Other Funds | Refund of Contributions | Unrealized Exchange Gain or Loss | Balance as at 31/12/2021 |
|--|--------------|--------------------------|---------------------------|---------------|-------------------------|---------------------------------|-------------------------|----------------------------------|--------------------------|
| | | | Interest and Other Income | Project Costs | Administrative Overhead | | | | |
| Afghanistan | CAPS | 138 | 1 | 207 | 9 | 787 | | (0) | 710 |
| Bahamas | CAPS | 14 | 0 | | | | | | 14 |
| Cabo Verde | CAPS | 33 | 0 | 0 | 0 | | (33) | | 0 |
| Cuba | CAPS | 18 | 0 | | | (18) | | | |
| Ethiopia | CAPS | 1 534 | 2 | 253 | 4 | | | (0) | 1 279 |
| Guinea | CAPS | 47 | 0 | | | (47) | | | |
| Jamaica | CAPS | 116 | | | | | | | 116 |
| Lebanon | CAPS | 666 | 1 | 168 | 7 | | | | 492 |
| Lesotho | CAPS | 43 | | | | | (43) | | |
| Libyan Arab Jamahiriya | CAPS | 66 | 0 | | | | | | 67 |
| Macao Special Administrative Region of China | CAPS | 46 | 0 | | | | | | 46 |
| Mozambique | CAPS | 4 | 0 | | | | | | 4 |
| Nigeria | CAPS | 72 | 0 | 69 | 0 | | | | 3 |
| Oman | CAPS | 16 | 0 | | | | | | 17 |
| Russian Federation | CAPS | 3 | 0 | | | | | | 3 |
| Seychelles | CAPS | | | | | | | | |
| Sudan | CAPS | 103 | 0 | | | | | | 103 |
| Suriname | CAPS | 6 | 0 | | | | | | 6 |
| Syrian Arab Republic | CAPS | 754 | 1 | 0 | | | | (0) | 755 |
| Trinidad and Tobago | CAPS | 243 | 0 | | | | | | 244 |
| Uganda | CAPS | | | | | | | | |
| United Republic of Tanzania | CAPS | 12 | | | | (12) | | | |
| Uruguay | CAPS | 45 | 0 | | | (46) | | | (0) |
| Yemen | CAPS | 18 | 0 | | | | | | 18 |
| Total | | 3 998 | 6 | 698 | 19 | 666 | (76) | (0) | 3 877 |
| Equivalent Canadian Dollars | | 5 102 | 8 | 875 | 24 | 853 | (97) | (0) | 4 967 |

Details may not add to the totals due to rounding

Table F**INTERNATIONAL CIVIL AVIATION ORGANIZATION**

TECHNICAL CO-OPERATION PROJECT ACTIVITIES
IPACK FUNDS INCOME, EXPENSES AND BALANCE
FOR THE PERIOD ENDING 31 DECEMBER 2021
(in thousands of United States dollars)

| iPACK Type ⁽¹⁾ | Beginning Balance as at 1 Jan 2021 | Income | Expenses | Ending Balance as at 31 Dec 2021 |
|------------------------------------|---------------------------------------|--------------|------------|-------------------------------------|
| ADRM | | 262 | 78 | 184 |
| ASRM | 122 | 160 | 206 | 75 |
| AVSEC | | 307 | 153 | 154 |
| FAL | 115 | 121 | 162 | 74 |
| PHC | | 168 | 40 | 127 |
| IPK | | 138 | 52 | 86 |
| Total | 237 | 1 154 | 691 | 700 |
| Equivalent Canadian Dollars | 297 | 1 447 | 866 | 877 |

Note (1): iPACK type description as follows

ADRM - iPack Aerodromes Restart

ASRM - iPack Aviation Safety Risk Management related to COVID-19 for Civil Aviation Authorities

AVSEC - iPack COVID-19 Aviation Security Quality Control Oversight

FAL - iPack Strengthening National Air Transport Facilitation Committees for the Re-Start and the Resilience of Civil Aviation

PHC - iPack Establishing a Public Health Corridor

IPK - iPack General Purpose Fund

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 PERIOD ENDED 31 DECEMBER 2021 AND THE SECRETARY GENERAL'S COMMENTS IN RESPONSE TO THE REPORT OF THE EXTERNAL AUDITOR

EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE



Audit of the 2021 Financial Statements

International Civil Aviation Organization (ICAO)

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The Swiss Federal Audit Office (SFAO) has been appointed by the Council and confirmed by the Assembly as International Civil Aviation Organization (ICAO)'s External Auditors for the financial years 2020 to 2022 (period from 1 July 2020 to 30 June 2023).

The terms of reference are defined in Article 13 of the ICAO's Financial Regulations as well as by the Additional Terms of Reference Governing the External Audit annexed to those Regulations. The provisions of the audit mission are moreover stipulated in the engagement letter dated 21 August 2020.

SFAO carries out external audits of the financial statements of ICAO in a completely independent manner from its role as the supreme organ of financial supervision of the Swiss Confederation. SFAO employs a team of highly qualified professionals with broad experience of audits in international organizations.

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Audit of the 2021 Financial Statements

International Civil Aviation Organization (ICAO)

Executive summary

1. The Swiss Federal Audit Office (SFAO) has completed the audit of the 2021 financial statements. This audit took place under the conditions of the COVID-19 pandemic. Despite the crisis and its restrictions, SFAO was able to carry out the audit engagement. It performed the audit procedures to some extent onsite at ICAO's headquarter in Montréal and obtained further audit evidence through remote work via virtual meetings and online access to ICAO's systems. SFAO would like to thank the Management and the staff of ICAO for their commitment and special efforts undertaken in this context. SFAO was able to communicate openly with the Secretary General, the Management and the staff, the Office of Internal Oversight (OIO) and the Evaluation and Audit Advisory Committee (EAAC).
2. SFAO wishes to emphasize the excellent cooperation, spirit of openness and courtesy shown by all ICAO officials during its engagement.
3. SFAO has performed the audit in accordance with the International Standards on Auditing (ISA), ICAO's Financial Regulations and the risk analysis and audit approach presented in the audit planning report issued in December 2021.

Unqualified audit opinion

4. SFAO issued an unqualified audit opinion on the 2021 financial statements. These financial statements have been prepared in accordance with ICAO's Financial Regulations and the International Public Sector Accountings Standards (IPSAS).
5. As per ICAO Management's assessment, the financial statements have been prepared on a going concern basis. Audit procedures show that no material uncertainty exists regarding the organization's ability to continue as a going concern until the end of 2022. The financial sustainability of the organization remains an area of concern. SFAO invites ICAO to continue its efforts in cost controlling and strict treasury management in the upcoming periods.
6. The misstatements identified during the audit which could have a significant impact on the financial statements were corrected by ICAO. Other less significant findings were not adjusted.

Recommendations for improvement

7. This report contains SFAO's major findings regarding the accounting, the IT environment and the Internal Control System (ICS). SFAO identified several areas for improvement in ICAO's ICS and in the preparation of the financial statements and issued recommendations. It discussed them with Management and sought comments from the Secretary General.

SFAO followed up the recommendations issued during previous external audits. It concluded that Management in 2021 had implemented 50 out of the 81 open recommendations. The remaining open recommendations refer mainly to IT.

Execution of the Audit

Audit Objectives and Scope

8. The objective of the financial audit is to express an opinion on the financial statements of the International Civil Aviation Organization (ICAO), based on International Public Sector Accountings Standards (IPSAS), for the year ended 31 December 2021.
9. The financial statements comprise the Statement of Financial Position (statement I), the Statement of Financial Performance (statement II), the Statement of Changes in Net Assets (statement III), the Statement of Cash Flow (statement IV) and the Statement of Comparison of Budget and Actual Amounts (statement V) as well as the Notes to Financial Statements which include a presentation of the accounting policies and other explanatory notes.
10. The audit was carried out in accordance with International Standards on Auditing (ISA) and observing ICAO's Financial Regulations, including Annex B "Additional Terms of Reference Governing the External Audit". These standards require planning and performing the audit so as to obtain reasonable assurance whether the financial statements are free from material misstatements.
11. SFAO's engagement took place under the conditions of the COVID-19 pandemic. Despite the crisis and its restrictions, SFAO was able to carry out the audit and obtained sufficient audit evidence. SFAO visited ICAO's headquarter in September and December 2021 and in March 2022. SFAO gathered further audit evidence through videoconferences and email exchanges. SFAO would like to thank the Management and the staff of ICAO for their commitment and special efforts undertaken in this context.

Areas of focus for the audit

12. SFAO has conducted a risk assessment for the purpose of the audit. Based on this analysis, the areas of focus were identified that constitute significant risks or require a specific audit response. They are included in the audit planning report issued in December 2021. SFAO followed the audit approach as planned.
13. ISA specify the role that auditors must play in relation to the risk of misstatements in financial statements, whether due to fraud or error (ISA 240). Consequently, SFAO has applied special procedures in this area.

| # | Description of risk (as per audit planning report) | Audit findings |
|---|--|----------------|
| 1 | <i>Impact of the COVID-19 pandemic</i> The consequences of the pandemic may have consequences on the organization's activities and cash balances. | § 56ff |
| 2 | <i>Management override of controls</i> Management may invalidate or override controls, requirements or directives. | § 26ff |

| # | Description of risk (as per audit planning report) | Audit findings |
|---|--|--------------------|
| 3 | <i>Application of IPSAS</i> The financial statements could not entirely comply with IPSAS requirements. | § 62ff |
| 4 | <i>ERP (Agresso)</i> The IT systems may not be adequately designed or maintained, which increases the risk of errors or fraud. | § 26ff |
| 5 | <i>Revenue recognition</i> Contracts revenue may not be accounted for correctly (e.g. incorrect period cut-off, non-exchange transactions). Contracts for projects may contain harmful conditions for ICAO and may not be accounted for correctly. Collection of doubtful accounts receivable may increase needs for allowance or write-offs. | § 33ff, 81ff, 85ff |
| 6 | <i>Procurement</i> Expenses may not be accounted for correctly or completely. Purchases may not meet the needs of ICAO or may be made under unfavorable conditions. | § 38ff |
| 7 | <i>Staff costs</i> Staff related expenses may not be accounted for completely. | § 44ff, 70ff |
| 8 | <i>Treasury</i> Payments may not be justified or authorized. Assets may not exist. | § 47ff, 64ff |

Communication with Management and governing bodies

14. The areas of focus have been presented to ICAO's Management, OIO, EAAC and the Council. During its audit, SFAO conducted meetings with the Secretary General, the Management and key personnel of the organization. Overall, SFAO emphasizes the excellent cooperation and transparent communication during the audit.
15. The audit findings were communicated to the Management of Finance Branch (13 April 2022) and the Secretary General (14 April 2022). They were discussed with EAAC (25 April 2022).
16. Other minor issues which were clarified and discussed with the persons in charge in the course of our audit work are not mentioned in this report.

Collaboration with the Office of Internal Oversight

17. SFAO noted the work carried out by OIO. In accordance with ISA 610, OIO's audit results with relevance to SFAO's audit procedures were taken into account. A regular quarterly exchange with OIO was established in order to coordinate the audit and oversight roles



















within the organization. SFAO wishes to emphasize the excellent collaboration maintained with OIO.

Audit recommendations

18. SFAO identified several areas for improvement. This report contains its major findings regarding the accounting, the IT environment and the internal control system.
19. This report includes 12 new recommendations. SFAO discussed them with Management and sought comments from the Secretary General. Management is responsible for monitoring their implementation.
20. SFAO also followed up the audit recommendations issued during the previous external audits. The details of this follow-up are provided in § 100ff.

Internal Control System

21. The Secretary General shall maintain an Internal Control System (ICS) to ensure the regular use of the organization's resources, as stated in article XI of ICAO's Financial Regulations.
22. The ICS is an important element to provide reasonable assurance about the achievement of ICAO's objectives with regard to the reliability of financial reporting. SFAO selected the major processes on which the financial reporting is based. The table below presents the main audit focus for the financial year 2021. SFAO selects the business processes to audit on a rotation basis. The work done by OIO was considered in order to avoid duplication with SFAO's work. In its first two years of the engagement, SFAO's audit scope was extensive in order to gain a good understanding of the ICS. SFAO will capitalize on the results and sharpen the audit scope for the next financial statements' audits.

| Process | Overall assessment in 2020 | Overall assessment in 2021 |
|----------------------------------|--|---|
| Entity-level controls |  |  |
| IT General Controls |  |  |
| Revenue recognition |  |  |
| Procurement |  |  |
| Payroll |  |  |
| Travel |  |  |
| Treasury and cash management |  |  |
| Fixed assets |  |  |
| Closing and financial statements |  |  |

Key



There is a material deficiency and an urgent need to take action.



There is room for improvement which should be implemented by Management.



The results meet the expectations of SFAO. There is no need or minor need for action.



Key process not covered during the external audit (rotation principle).

23. The Secretary General publishes with its financial statements a financial report ("presentation") and a statement on internal control (SIC). In accordance with the requirements of ISA 720, SFAO read this information to identify material inconsistencies, if any, with the audited financial statements. SFAO did not note any material exceptions.

Entity-level controls

24. ICAO has a permanent Council that meets regularly and assesses risks. ICAO developed in 2020 a new Enterprise Risk Management and Internal Control Framework ("ERM Framework"). Risk registers are maintained at ICAO-wide level ("corporate risk register") and at the Bureau/Office level. The control environment with regard to bookkeeping and financial reporting is well developed. In addition to the operational reporting structure and the definition of responsibilities, ICAO has measures in place to prevent or communicate inappropriate behavior, such as the framework of ethics, the standards of conduct, the ethics office, OIO, the whistleblowing channel with an independent entity, etc. In 2021, ICAO implemented a new Committee on Governance. In addition, ICAO also benefits from supervision by the United Nations Joint Inspection Unit (JIU). On the financial side, ICAO has defined financial regulations and a Financial Policies and Procedures Manual (FPPM).
25. The previous External Auditor noted several findings related to the control environment and made several recommendations, particularly regarding the ethics framework and the attachment of the procurement section to the Technical Cooperation Bureau (TCB). These findings represent some challenges for the organization. In 2021, ICAO transferred the procurement section from TCB to the Bureau of Administration and Services (ADB). SFAO plans to follow-up the other issues in a future audit.

IT General Controls

26. The audit of IT General Controls (ITGC) includes an assessment of applications relevant to financial data. SFAO examined ICAO's ERP system "Agresso", its database and the underlying Windows servers.

Assessment by SFAO

ITGC are effective. This allows for a controls-based audit approach for some financial statements captions. SFAO considers that the maturity level of the IT at ICAO slightly improved in 2021, but remains relatively low and still needs significant improvements. SFAO identified some deficiencies, with an impact on the quality of ICAO's administrative processes supported by Agresso (e.g. finance, accounting, HR). As they have a negative effect on the IT processing effectiveness and efficiency, SFAO recommends that ICAO remediate them thoroughly and urgently, as stated in detail in the following paragraphs.

Follow-up of previous audit recommendations

27. Out of 13 open recommendations relating to IT from the previous audits, 7 were implemented in 2021, 1 was replaced by an updated one and 5 remain pending. These remaining recommendations refer to the following findings: configuration changes are not completely tracked in the system, password policy enforcement needs to be improved, timely management of authorizations must be ensured, access rights in Agresso should be reviewed on a regular basis and a log management system should be implemented. According to ICAO, some progress has been achieved in the meantime

(e.g. logging of changes, password policy and user access reviews by Finance). SFAO will follow up on those items during the next audit.

Logical Access – Validation of impersonal accounts

28. SFAO identified critical accounts. Among them were duplicate and impersonal test accounts on a productive system. Impersonal test accounts should not exist on a productive system. Duplicate accounts should not exist either as they can be used to circumvent the 4-eyes principle. Any change of access rights should be based on a valid request.

Assessment by SFAO

During the audit, SFAO recommended that ICAO justify every impersonal account. Impersonal accounts should only be created for system accounts (e.g. technical users or automated processes). SFAO further recommended that ICAO eliminate duplicate accounts. The test account on the productive system Agresso should be eliminated or transparently logged. ICAO implemented most of this recommendation directly during the audit, as the impersonal accounts had a valid justification. There remains one duplicate account in payroll that is officially justified. Nevertheless, SFAO will need to continue to perform mitigating audit procedures and follow-up on ICAO's efforts in finding other solutions for this duplicate account.

Logical Access – Outdated version of the finance database

29. The finance database is running on an outdated version. This version has not been supported anymore since the end of 2020 and has a significant number of high and critical security vulnerabilities.

Assessment by SFAO

The use of outdated versions of a database can significantly increase the risk of cyberattacks.

Recommendation No. 1 (priority 1)

SFAO recommends that ICAO upgrade the database to a supported version, which comprises all relevant security patches, or switch to another database management system.

Comment by the Secretary General

The recommendation is accepted.

Information Security has already assessed all database systems in the ICAO landscape, identified those that needed to be upgraded, and communicated these findings to ICT. ICT will be upgrading the database systems to the relevant and supported versions, and will apply patches as per the patching lifecycle.

Unit: ADB/ICT

Target Date: 31 December 2022

Logical Access – Changes in access rights

30. SFAO identified several cases of changes in access rights without tickets and, therefore, without approval.

Assessment by SFAO

The inadequate process for managing access rights can significantly increase the risk of unauthorized access.

Recommendation No. 2 (priority 1)

SFAO recommends that ICAO base every change in access rights on a documented and approved request.

Comment by the Secretary General

The recommendation is accepted and implemented. All access rights changes are logged through the ICAO service desk and this procedure has been updated in the authorization concept.

Unit: ADB/ICT

Target Date: Implemented (31 December 2021)

31. New access rights, such as new entries or other modifications, are created based on existing users (considered as reference users).

Assessment by SFAO

According to best practice, a change in access rights should not use existing users as a reference, but rather on roles or profiles. In this way, access rights are more likely to follow the need-to-know principle. It also allows knowledge about access rights to be gained and maintained throughout the organization.

Recommendation No. 3 (priority 2)

SFAO recommends that ICAO base every request or change in access rights on roles or profiles.

Comment by the Secretary General

The recommendation is accepted and implemented.

Access rights requests are now being granted based on role names in Agresso. The technical team has been instructed to translate every access rights request to Agresso role names for the approval of the requesting unit prior to implementation. This shall be done irrespective of the initial request format.

Unit: ICT/EAS

Target Date: Implemented (19 April 2022)

Operations – Network segmentation

32. In 2017, the previous External Auditor recommended that a network segmentation to improve the IT security be implemented. ICAO has not yet put it in place. SFAO closes this recommendation and replaces it with the following updated recommendation.

Assessment by SFAO

Network segmentation improves security by allowing networks to be divided into segments based on the criticality of data and access requirements. Network segmentation ensures that only permitted and controlled network traffic can enter a network segment. Systems relevant to finance must be in a controlled and restricted network segment.

Recommendation No. 4 (priority 2)

SFAO recommends that ICAO implement network segmentation.

Comment by the Secretary General

The recommendation is accepted.

ICT has initiated the work on network segmentation following the support of the Information Security Roadmap Implementation team in the Year-1 initiatives. Further network segmentation to limit access to the systems relevant to finance will be performed. Information Security will be working with ICT to ensure that such access will be in a controlled and restricted manner.

There are several ongoing projects with impact on the implementation of the redesigned network. These projects include the move of some services to the Cloud as well as Disaster recovery. These projects are scheduled to be completed in Q4 2022.

Unit: ADB/ICT

Target Date: 31 December 2022

Revenue recognition process

33. SFAO tested key controls in the revenue recognition processes. SFAO concluded that the internal controls over revenue recognition with regard to reliability of financial reporting are adequately designed and applied. Some areas for improvement were identified, as presented below.
34. SFAO also tested a sample of new contracts for Technical Cooperation (TC) projects signed in 2021, a sample of cash receipts for other voluntary contributions, as well as the calculation and accounting entries of the revenue from assessed contributions. It identified some misstatements (refer to § 81 and § 85).

Allocation of overheads on TC projects

35. The procedure for the allocation of overheads on purchase orders is described in the FPPM. The calculation and the accounting of the overheads are done manually by the General Ledger Unit. This procedure occurs every two weeks and is time-consuming.
36. In order to gain in efficiency, SFAO suggested that ICAO analyze, in coordination with the Finance Initiative Project, whether the calculation and the accounting of the overheads could be automated (at least partially). ICAO considered that the recording of overhead from expenses not related to procurement had already been automated and that the recording of overhead from purchase orders related to procurement had already been partially automated. Due to the complexity of the task, it considered it difficult to implement additional automation.

Segregation of duties for other voluntary contributions

37. The booking of an accounting entry for other voluntary contributions is prepared by an account associate and then reviewed by the supervisor. SFAO tested this workflow in Agresso and identified that the account associate can also directly post "Cash Journal Vouchers" (GL transaction). This circumvents the 4-eyes principle. As per ICAO, this accidentally happened only twice during staff training in 2021.

Assessment by SFAO

The possibility to book directly entries in the GL and bypass the 4-eyes principle leads to an increased risk of error and fraud.

Recommendation No. 5 (priority 2)

SFAO recommends that ICAO ensure the 4-eyes principle in Agresso by disabling direct GL entries related to the recording of receipts of other voluntary contributions.

Comment by the Secretary General

The recommendation is accepted.

Due to system limitations to address the recommendation, ICAO will develop an automated alert to the Head of Accounts Receivable (AR) when the system identifies Cash Journal Vouchers directly posted by AR team without approval in Agresso. The Head of AR will review identified transactions, if any, and take proper actions. In addition to this, a report will be run at the end of each month to compile a list of items falling in this category, if any, for the Head of AR's confirmation that the verification has been performed as part of period-end closing.

Unit: ADB/ICT; FIN

Target Date: 30 June 2022

Procurement process

38. SFAO tested a number of key controls in the procurement process. SFAO concluded that the internal controls over procurement with regard to reliability of financial reporting are adequately designed and applied. Some areas for improvement were identified, as presented below.

Fund check

39. The fund check for regular program is done almost automatically within Agresso. The fund check for TC activities is done manually on excel sheets. SFAO recommended that ICAO analyze if the fund check for TC activities could also be done automatically to gain efficiency and reduce the risk of error. C/PBU informed that the automation of this process is included in the current project "Business Process Management System (BPMS)". Therefore, SFAO does not issue a recommendation and will follow up this item during its next audit.

Segregation of duties in the procurement process

40. SFAO noted that the segregation of duties (SOD) as designed within Agresso's workflow was bypassed under specific circumstances. In the absence of C/PRO, his substitute was involved in performing the task and in reviewing it subsequently. SFAO is of the opinion that the control made by the Treasury Office later in the process compensates this accumulation of tasks. Therefore, SFAO does not issue a recommendation on this point. However, ICAO might gain in efficiency in its processes by strengthening SOD in the procurement process and reducing controls in the treasury process.

Efficiency in the controls within Accounts Payable Unit

41. A remittance is prepared by a clerk and then reviewed by another clerk. Further, H/APU checks the remittance twice: a first time after preparation and a second time after the confirmation from the second clerk. In order to gain in efficiency, SFAO suggested during the audit that ICAO analyze whether the first check from H/APU could be removed. ICAO decided to keep this verification step.

Payment of supplier invoices at Regional Office Paris

42. SFAO identified one invoice that had already been put on wire transfer from the bank before its release by the responsible clerk. As per information received from Regional Office Paris, payments can be made without invoice check from the Management. There is no link between Agresso and the payment application provided by the bank. The findings made in the Regional Office Paris might also concern the other regional offices.

Assessment by SFAO

The release of payment without invoice approval leads to an increased risk of error and fraud, especially since there are individual signatory authorities on the bank accounts in the regional office. As per ICAO, the process in place provides for invoice approval but was not followed. SFAO refers to § 50 and its recommendation on payment release that also addresses the risk related to the lack of invoice approval.

Reception of invoices at Regional Office Paris

43. At Regional Office Paris, suppliers send electronic invoices to the nominative email address of the clerk responsible for creating the Good Receipt Note (GRN). The findings made in the Regional Office Paris might also concern the other regional offices.

Assessment by SFAO

Using nominative email address for electronic invoices leads to the risk that invoices are not treated on time, especially during the absence of the employee.

Recommendation No. 6 (priority 2)

SFAO recommends that ICAO create a generic email address for receiving invoices from suppliers, which is accessible to several employees.

Comment by the Secretary General

The recommendation is accepted.

ICAO is taking various actions to strengthen the management of invoices, including having a dedicated email address where the invoices should be transmitted when those are not made available from the vendors' portal.

Unit: EUR/NAT and FIN

Target Date: 1 July 2022

Payroll process

44. SFAO tested key controls in the payroll services. SFAO concluded that the internal controls over payroll with regard to reliability of financial reporting are adequately designed and applied.

Documentation of the personnel files from HR

45. SFAO checked a sample of 30 personnel files (reconciliation of salary and allowances with contract and supporting documentation). It did not identify any discrepancies.
46. SFAO noted that HR keeps personnel files in paper form for regular program. TC Bureau started with electronic files in 2020.

Assessment by SFAO

The electronic filing of HR reduces the risk of loss or damage. It also allows an easier access to the files and batch treatments. The implementation of this digitalization step is under review at ICAO.

Treasury and cash management process

47. SFAO has tested key controls in the treasury process. SFAO concluded that the internal controls over treasury with regard to reliability of financial reporting are adequately designed and applied. Some areas for improvement were identified, as presented below.

Authorized signatories

48. In 2020, SFAO recommended that ICAO review the authorized signatories on every bank account based on the documents provided by the banks. This review must also cover the online accesses (e-banking) where applicable and check the two-envelope system (no individual signatory authority). In 2021 and early 2022, the Treasury Office performed this review.

Assessment by SFAO

The first results of the review performed by ICAO show that employees who left ICAO are still authorized signatories for some bank accounts. ICAO needs to take urgent action to cancel those rights. SFAO maintains its recommendation thereon.

Coordination between Accounts Payable Unit and Treasury Office in the payment process

49. Treasury Office performs detailed checks on the payments. It also repeats the checks already done by the AP Unit. Treasury justifies this by errors it identified in the files prepared for payments (approx. 1 per week).

Assessment by SFAO

The AP Unit is responsible for checking the payments. The additional checks performed by Treasury are time-consuming.

Recommendation No. 7 (priority 2)

SFAO recommends that ICAO analyze the payment process in order to find out whether there is a potential for efficiency gains (enhancement of the checks done by the AP Unit and possible reduction of controls done by the Treasury Office) and an opportunity to clarify the respective responsibilities.

Comment by the Secretary General

The recommendation is accepted.

ICAO will review the existing workflows (including a review to clarify roles and responsibilities) to identify any duplication of controls that could be eliminated.

Unit: FIN

Target Date: 31 December 2022

Payments from bank accounts at Regional Offices

50. One single person is in charge of the treasury activities at RO Paris. This person can proceed to payments alone (individual signatory authority). She enters the details for the payment manually and can release the payment. She can also create new beneficiaries. In addition, she is responsible to send the monthly bank statement to headquarter. There is no control by a second person. Another person has individual signatory authority for that bank account.
51. SFAO also identified one similar case at RO Mexico. The findings made in the ROs Paris and Mexico might also concern the other regional offices.

Assessment by SFAO

Individual signatory authorities do not comply with best practice and lead to an increased risk of error or fraud.

Recommendation No. 8 (priority 1)

SFAO recommends that ICAO implement a two-envelope system for releasing payments on bank accounts also in the regional offices (no individual signatory authority).

Comment by the Secretary General

The recommendation is accepted.

A review of the Regional offices' disbursement function will be carried out to ensure two-envelope system for releasing payments on bank accounts.

Unit: FIN

Target Date: 31 March 2023

Fixed assets process

52. The fixed assets process involves multiple parties. Employees are responsible for asset management in different sectors as well as in regional offices. Some of them may be in charge of only one type of asset (tangible/intangible). In addition, there is a property control that is responsible for the overall asset management at ICAO. The communication goes through multiple channels. For example, the communication concerning year-end instructions on sending updates of fixed assets to the GL Unit originally may come from one asset manager at a local regional office. Then it goes via the property control to the GL Unit. This complicates the communication flow and is a source for mistakes or delays. Currently property control is working on simplifying this process.

Assessment by SFAO

The following controls in the fixed assets process are not being performed and/or documented:

The review of year-end general ledger entries related to fixed assets and intangible assets was performed by the Head of GL Unit in prior years. During the year-end closing process in 2021 only the elimination entry was reviewed by the C/ASV. No other review of direct GL entries (capitalization of items) was performed.

No review of the expected useful lives of assets is done after the initial recording of the assets.

Recommendation No. 9 (priority 2)

SFAO recommends that ICAO review the fixed assets process, simplify it and appoint an officer who is responsible for the yearly update as well as the completeness and accuracy of the information recorded in the Inventory Management System.

Comment by the Secretary General

The recommendation is accepted.

The Property Control and Logistics Unit (PCL) will review the inventory management system and fixed assets process and find ways to simplify the operations. PCL will collaborate with FIN to establish a yearly review of the accuracy and completeness of the information.

Unit: ADB/PCL

Target Date: 31 March 2023

Recommendation No. 10 (priority 2)

SFAO recommends that ICAO implement a yearly review of the expected useful lives of assets after the initial recording of the assets.

Comment by the Secretary General

The recommendation is accepted.

ADB/PCL will implement a yearly review of expected useful life of assets. PCL will conduct annual surveys through the use of systematic sampling, to review the useful life of asset categories and apply general guidelines obtained by professional or industry organizations, information for comparable assets and internal information.

Unit: ADB/PCL

Target Date: 31 March 2023

Recommendation No. 11 (priority 2)

SFAO recommends that ICAO introduce control documentation within the fixed assets process – for example the introduction of a checklist, which every preparer and reviewer has to sign after performance of the procedures and controls (incl. indication of date). This may ensure that every step within the process is performed and reviewed and that the required evidence is provided.

Comment by the Secretary General

The recommendation is accepted.

PCL will review the procedure and operations related to fixed assets. PCL will implement a document management system, with evidence-based procedures and controls. Document checklists and performance-related signatures will be a main requirement.

Unit: PCL

Target Date: 31 March 2023

Significant findings on the financial statements

53. SFAO concluded that the 2021 financial statements had been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). It issued an unqualified audit opinion on these financial statements.
54. The organization put considerable effort into the improvement of financial reporting. The financial statements achieve good quality standards as regards presentation and transparent disclosures. The large majority of SFAO's comments and recommendations on the financial statements disclosures are now implemented. The remaining findings are presented in the following paragraphs.
55. SFAO identified a number of misstatements during the audit. ICAO corrected all misstatements which could have a significant impact on the financial statements. The other less significant findings were not adjusted. All misstatements, whether corrected or not, are reported in the table in the chapter "audit differences" (refer to § 97).

Going concern assumption

56. As per ICAO Management's assessment the financial statements have been prepared on a going concern basis. The airline sector was hit by a sharp decline due to the COVID-19 pandemic situation and travel restrictions. ICAO's revenues decreased by another 6 % in 2021. The main reason was the decrease in other voluntary contributions (by CAD 10 million or 22 % compared to prior year). ICAO benefited again from prompter payment inflows from Member States in 2021.

Cash forecast and negative cash flow

57. ICAO's operating cash flows have been strongly negative since 2018 (CAD 37 million in 2018, CAD 59 million in 2019, CAD 43 million in 2020, CAD 19 million in 2021). The main reason is the decrease of advanced payments for TC projects and voluntary contributions. ICAO maintained its low investment activities in 2021.
58. Management updates periodically a cash forecast to monitor the level of liquidity. According to the latest analysis available during the audit, the organization shall dispose of sufficient liquidity to cover its expenses until the end of 2022.
59. The Working Capital Fund (WCF), which serves as a buffer in a critical cash situation, only represents about one month of expenditures for the regular program. The level of the WCF may not be sufficient to cover any significant unplanned expenditure.

Negative net assets

60. ICAO has shown negative net assets for several years, mainly due to the accumulated actuarial loss on employee benefits. This actuarial loss decreased significantly in 2021, mainly due to changes in financial assumptions (discount rate). Therefore, the net accumulated deficit decreased by CAD 25 million in 2021.

Disclosure in the financial statements

61. ICAO adequately informs on the going concern and the measures taken by the Management in the notes to the financial statements.

Assessment by SFAO

Audit procedures on the cash forecast for the year 2022 (prepared by ICAO) show that no material uncertainties exist regarding the organization's ability to continue as a going concern until the end of 2022. The financial sustainability of the organization remains an area of concern. SFAO invites ICAO to continue its efforts in cost controlling and strict treasury management in the upcoming periods.

Comment by the Secretary General

ICAO will continue applying sound financial management practices.

Compliance with IPSAS

62. The IPSAS standards require extensive disclosures in the notes to the financial statements. The standards are regularly updated, which ask for constant updating of knowledge within an organization in order to cope with new requirements. SFAO is of the opinion that the organization's personnel has the necessary knowledge of IPSAS.
63. During its previous audit, SFAO conducted a detailed analysis of the IPSAS compliance of the financial statements. It identified room for improvement and made a number of comments on the disclosures.

Assessment by SFAO

As mentioned in § 54, ICAO significantly improved the disclosures of the financial statements in 2021. The 2021 financial statements comply with IPSAS requirements.

Cash, cash equivalents and investments

Bank confirmations

64. As requested in Annex B to the Financial Regulations, SFAO required and received confirmations from all banks.

Cash held on behalf of the Medical Benefit Plan

65. Until 2020, ICAO held cash on its own bank accounts on behalf of the Medical Benefit Plan (MBP). In 2021, following SFAO's recommendation, ICAO opened two separate bank accounts for MBP and transferred the balances to them. These new accounts are held by ICAO and amounted to CAD 14 174 000 in total as at 31 December 2021. ICAO did not present them in its financial statements.

Assessment by SFAO

ICAO must present the bank accounts in its financial statements under cash and cash equivalents, as it is the accounts' owner. An equivalent amount must be presented in

the other current liabilities. ICAO corrected the presentation during the audit (refer to § 98).

Balance against UNDP

66. Cash and cash equivalents contained a balance against UNDP of CAD 803 000 as at 31 December 2021.

Assessment by SFAO

UNDP is not a bank and therefore this amount should not be presented in cash and cash equivalents, but in receivables and advances. The classification of the balance against UNDP has been corrected during the audit (refer to § 98). The comparative figure for 2020 has been restated in the same way.

Assessed contributions receivable

67. In 2021, in response to a recommendation of SFAO, ICAO implemented a more prudent valuation policy of assessed contributions receivable. SFAO reviewed the new policy and agreed with it. This new policy considers that assessment dues for Member States which lost their voting rights during the last Assembly (instead of two) are 100% discounted. In addition the discount is calculated on the bases of BBB rated corporate bonds in CAD (3.65 % as at 31 December 2021), instead of a risk-free interest rate (1.2 %). The allowance remains presented as discount, which is acceptable but not a common practice in most other UN agencies. ICAO also adjusted the disclosure accordingly.
68. This change in the accounting estimate has been charged to the net result for 2021, in accordance with IPSAS 3 (change in estimate). The impact amounts to CAD 1 827 000.

Assessment by SFAO

The new allowance policy is appropriate and has been correctly applied for the valuation at year-end 2021.

Receivables and advances

69. ICAO set up an accounting policy for the valuation of receivables (other than assessed contributions) and correctly applied it in 2021. Receivables are comprised of many types of outstanding items. Even for receivables from Member States that are willing to pay, the recovery of these balances is very slow and many items remain outstanding for a long time. As at 31 December 2021, receivables from GAT training, delegations, PKD membership fees and others included sundry items amounting to CAD 4 063 000 (gross amount before allowance), of which CAD 2 437 000 remain unpaid as at mid-March 2022. This remaining balance contains unpaid items over one year amounting to CAD 1 719 000. The allowance for these doubtful accounts only amounts to CAD 343 000.

Assessment by SFAO

ICAO's approach for the measurement of these receivables is not prudent. The inherent credit risk should be better considered in the allowance. The implementation of the Expected Credit Loss Model will be required by the new IPSAS 41 by 2023.

Recommendation No. 12 (priority 1)

SFAO recommends that ICAO consider a more conservative approach in the measurement of other receivables and proactively review its valuation policy in the outlook of the Expected Credit Loss Model to apply with the upcoming IPSAS 41.

Comment by the Secretary General

The recommendation is accepted.

ICAO will analyse historical collections data to set up a valuation policy on receivables.

Unit: FIN

Target Date: 31 March 2023

Employee benefits

70. Employee benefit liabilities comprise After-Service Health Insurance (ASHI), repatriation benefits and annual leave.
71. The previous External Auditor regularly monitored the level of actuarial liabilities and drew the attention of the Council to the fact that future ICAO budgets will be affected by significant increases of employee benefit expenditures. It issued several recommendations that aimed to achieve structural measures in order to reduce the underfunding of the actuarial liabilities. Nevertheless, the organization continued with the existing approach based on a Council decision. SFAO closes the recommendations of the previous External Auditor.

After-service Health Insurance

72. ASHI is part of the scheme of social security established for employees who meet the given criteria. It provides medical insurance coverage throughout the eligible employee's retirement under the same health scheme as active employees. ICAO Medical Benefit Plan is a self-funded scheme administered by a third-party administrator (Cigna). It is categorized as a post-employment benefit plan as defined by IPSAS 39. The actuarial valuation is performed by an independent external expert.
73. The accounting for a defined benefit plan is complex and impacted by various assumptions. SFAO discussed these assumptions with Management and assessed their plausibility and accordance with IPSAS 39.
74. Liabilities for ASHI in the statement of financial position significantly decreased in 2021. This is mainly due to the increase of the discount rate from 1.2 % to 1.75 % as well as other changes in the assumptions. This increase has been accounted for directly in the net assets. For 2021 ICAO based the discount rate on long-term Canadian and US government bonds. This rate is calculated using the weighted average method to reflect the major cash outflow currencies, CAD and USD. In prior years the discount rate was based on Canadian government bonds only. The medical and dental claim cost

assumption has been updated reflecting the average cost for the period of November 2018 until October 2021 and adjusted for the short-term impact related to the COVID-19 pandemic. According to the independent valuation expert, this is the best assumption for the long-term claim cost.

75. SFAO noted during the audit that ICAO signed in 2021 a new agreement with Cigna updating the administrative fees. To reflect the changes in fees, the independent valuation expert performed an updated actuarial calculation of the post-employment benefits. The accounting figures were updated accordingly and are recorded as a corrected audit difference (refer to § 98).

Assessment by SFAO

The actuarial assumptions are plausible and in accordance with IPSAS 39.

The Medical Benefit Plan represents a potential financial risk for the organization because it is unfunded. Therefore, it needs to be monitored year by year. Without issuing a formal recommendation, SFAO invites ICAO to closely monitor the situation.

Annual leave

76. The liabilities related to the annual leave balance have been calculated using an actuarial calculation method including several assumptions such as salary increase, expectations of changes in annual leave balance, etc. The annual leave is granted based on the service days delivered so far and can be used at any time in the following year. It represents an ordinary vacation balance.
77. The actuarial calculation on the annual leave liabilities is based on the population data as at 31 October. Considering that the liability should best represent the liability as at 31 December, using the data as at 31 December would show a more accurate result of the actual annual leave balance to that date. Any movements in annual leave liabilities are recorded through the statement of financial performance and thus impacted by changes in the assumptions used.

Assessment by SFAO

The calculation of annual leave through actuarial calculation is complex and the changes in the actuarial assumptions for annual leave significantly impact the net result. The liabilities for annual leave could be calculated in a more simple way. In response to SFAO's recommendation from last year, ICAO analyzed the calculation method and decided to continue with the actuarial calculation for efficiency and accuracy reasons.

United Nations Joint Staff Pension Fund (UNJSPF)

78. ICAO is affiliated as member organization to the United Nations Joint Staff Pension Fund (UNJSPF) through its employees. Contrary to the ASHI scheme, ICAO does not account for pension liabilities for this pension scheme. It is not considered as a defined benefit plan under IPSAS 39 as the UNJSPF is not in a position to calculate the pension obligations for the insured person or organization individually. Accordingly, it is not possible to reliably estimate the corresponding risk borne by ICAO. Therefore, no actuarial liabilities for this pension scheme appear in ICAO's financial statements.

79. The characteristics of the UN pension scheme are outlined in the notes to financial statements (chapter 2.10.5). In its latest actuarial valuation performed as at 31 December 2019, UNJSPF concluded that there was no requirement for deficiency payments under Article 26 of the Regulations of the Fund. Should Article 26 be invoked due to an actuarial deficiency in the future, deficiency payments would be required from ICAO. This situation represents a potential financial risk to ICAO.

Assessment by SFAO

The UNJSPF represents a potential financial risk for the organization and needs to be monitored year by year. Without issuing a formal recommendation, SFAO invites ICAO to closely monitor the situation.

Credits to contracting/servicing governments

80. ICAO manages three funds to account for the financial transactions made under the provision of agreements and arrangements with certain governments. These funds present a balance of CAD 1 604 000 which results from the financial transactions and numerous exchange rates variances on the balances accumulated over years. As already noted last year, only part of the total outstanding balances were circularized with the governments in 2021. Further, the presentation of these funds have been corrected during the audit (refer to § 98).

Assessment by SFAO

The lack of confirmation by governments of the balances in these accounts represents a risk on the accuracy of the amounts due to these governments.

Technical cooperation projects

iPack funds

81. iPack projects can be financed from different sources: a donor finances its own iPack, a donor finances a project for one or more other beneficiary countries or ICAO uses internal funding sources. The revenue recognition for these projects varies depending on this categorization.
82. In 2021, there were two projects where a donor financed its own iPack. ICAO recognized the full amount as a revenue when it received the payments. SFAO is of the opinion that these transactions must be accounted for in the same manner as TC projects. The revenue must be spread over the duration of the project, based on the occurrence of the related costs.

Assessment

The period cut-off of the revenue for two iPack projects is not correct. The identification of the expenses for each project is time-consuming. ICAO did not analyze the specific amounts for these projects nor calculate the misstatement. Based on the financial volume of these projects, SFAO considers that the misstatement is not significant for 2021. But the same type of misstatement could become significant if the number of iPack projects increases in 2022.

Litigation and arbitration

83. ICAO faces various cases of litigation in connection with TC projects. In 2021, a major dispute concerning a contract for a procurement on behalf of a Member State and referred to an international arbitration was settled by an agreement between all parties. ICAO recovered all the costs it had advanced.
84. In addition, ICAO faces several legal disputes brought by employees on former TC projects. They claim additional payments beyond the considerations provided for under their contracts. Finally ICAO faces several claims before the Appeals Board for various disputes with former employees (termination of contract, etc.). ICAO considers that all these claims as unfounded or that an outflow is possible but not probable. Therefore, it has not recorded any provision.

Assessment by SFAO

The estimates made by ICAO for the financial impact of litigation are sustainable. The accounting treatment and the disclosure comply with IPSAS.

Other voluntary contributions

85. SFAO identified misstatements in the accounting treatment of contracts for voluntary contributions, which have been corrected during the audit.

Non-exchange contracts not recorded

86. In 2020, SFAO identified a contract that should have been accounted for upon signature and reported as an uncorrected audit difference. In 2021, SFAO identified another contract that should have been accounted for in the same way. Upon signature, a receivable and a liability for the same amount must have been accounted for. This accounting has initially no impact on the net result. However, the recording of these contracts in the statement of financial position was missing. The further accounting entries depend on the progress working on that contracts and may impact the net result throughout the periods. The remaining receivable for these two contracts as at 31 December 2021 was CAD 1 547 000 and the remaining liability was CAD 1 851 000. The impact on the net result for 2021 was an additional expense of CAD 43 000 and the net assets will have to be decreased by CAD 304 000 (refer to § 98). The explanation on the accounting treatment may be further enhanced in the FPPM, in particular with regard to the record of the corresponding asset.

Classification of non-proprietary fund

87. SFAO identified one fund recorded as a proprietary fund by ICAO. In SFAO's opinion, this fund has to be recorded as a non-proprietary fund. During the audit, ICAO agreed with SFAO and corrected the financial statements accordingly (refer to § 98).

Donated right-to-use office spaces

88. Local governments bear fully or partially the costs of rental and maintenance of ICAO premises located in their respective countries. Until 2020, ICAO disclosed an estimate of these in-kind contributions in the notes. SFAO noted that, under IPSAS, the use of

premises free of charge or on very preferential terms qualifies as donated rights. These rights must be accounted for in a similar way as finance or operating leases, depending on the contractual terms.

89. In 2021, ICAO changed its accounting policy accordingly. It now records this in-kind revenue in the statement of financial performance as part of voluntary contributions and the corresponding expense in the general operating expenses. The comparative figures have been restated accordingly, as explained in note 9.

Assessment by SFAO

The new accounting treatment of the donated right-to-use office spaces from 2021 and the related restatement of the 2020 comparative figures comply with IPSAS. The valuation method and the assumptions are sustainable.

Net Assets

90. The carry-forward of appropriation amounts to CAD 31 068 000 at the end of 2021. This amount includes CAD 500 000 under the competence of the Council. The Council has not yet approved this carry-forward. According to ICAO, this will be done at the June 2022 session. In case of a refusal (partial or total), the 2021 financial statements will have to be corrected.

Assessment by SFAO

The amount of CAD 500 000 under the competence of the Council should remain in the accumulated deficit in the 2021 financial statements and be transferred into the reserves after Council's approval in 2022. SFAO suggests that ICAO analyze the current accounting practice in 2022.

Comparison of Budget with Actual Amounts

91. The comparison of budget with actual amounts includes two statements and additional information in the notes. These schedules refer to a number of other data in the financial statements, in the unaudited tables and in the report by the Secretary General.
92. SFAO proposed a simplification in the presentation of the statement of budget (statements V and V-A) as it seemed to be rather difficult to understand for a non-knowledgeable reader. In addition, it required a lot of efforts by ICAO to collect and compile the data necessary for its preparation. In 2021, ICAO adapted the presentation.

Assessment by SFAO

The new presentation of Statements V and V-A remains compliant with IPSAS 24.

Financial instruments

Disclosures

93. In 2021, ICAO significantly improved the disclosures on financial instruments, following SFAO's recommendation. SFAO concluded that these disclosures comply with IPSAS 30.

It identified some remaining minor elements of improvement that have been communicated to Management for their implementation in the 2022 financial statements.

Assessment by SFAO

The disclosures on financial instruments include almost all the elements required by IPSAS. ICAO should complete the few missing items next year.

IPSAS 41 outlook

94. In 2021, the IPSAS Board published the new standard IPSAS 41 for the financial instruments. This standard is effective as at 1 January 2023 and is applied retrospectively in accordance with IPSAS 3, with an exemption to restate prior periods.
95. IPSAS 41 reduces complexity by replacing the existing classification and measurement categories for financial assets with three principle-based categories (amortized cost, fair value through net assets/equity and fair value through surplus/deficit). The process to classify instruments is based on how the organization manages instruments and the economic characteristics of the underlying cash flows of an instrument.
96. One particular impact for ICAO is the measurement of financial assets. The impairment model is no longer based only on historical evidence of credit losses. The new Expected Credit Loss Model focuses on both historical and forward looking data that provides entities with information about the credit losses that are likely over the life of the instrument. The entity has to calculate the expected loss for all financial instruments.

Assessment by SFAO

ICAO needs to prepare the implementation of the new standard IPSAS 41 relating to financial instruments in 2022. In particular, it needs to amend its accounting policies, adjust the accounting and reporting system, redesign the financial statements template, adapt its internal controls and train its accounting staff.

Audit differences

97. Errors, including omissions, are considered material when it is reasonable to expect that, individually or cumulatively, they could influence the economic decisions which users of the financial statements make based on them. SFAO considers an individual misstatement to be material if it exceeds CAD 100 000. The impact of errors on the interpretation of the financial statements as a whole is deemed to be material if they exceed CAD 2 000 000 in total.

Summary of corrected and uncorrected misstatements

98. SFAO found some misstatements (audit differences) that were corrected by the Management during the audit. The other less significant findings mentioned below were not adjusted. SFAO is of the opinion that the unadjusted misstatements have no material impact on the financial statements and that booking them would not lead the reader to assess ICAO's financial position differently.

| Description | Surplus / (deficit) for the year (CAD) | Net assets (CAD) |
|--|---|---------------------|
| Balance before audit differences | (11 062 000) | (80 319 000) |
| <u>Corrected audit differences</u> | | |
| Reclassification of a fixed term deposit over 3 months (CAD 10 248 000) | 0 | 0 |
| Presentation of cash held for MBP on ICAO's bank accounts (CAD 14 174 000, refer to § 65) | 0 | 0 |
| Reclassification of UNDP balance receivable (CAD 803 000, refer to § 66) | 0 | 0 |
| Reclassification of part of the balances for credits to contracting/servicing governments (CAD 486 000, refer to § 80) | 0 | 0 |
| Record of two agreements as per IPSAS 23 (refer to § 86) | (43 000) | (304 000) |
| Correction of classification of one non-proprietary fund (refer to § 87) | 40 000 | (117 000) |
| Correction of assumption for employee benefits (CAD 794 000, refer to § 75) | 0 | 794 000 |
| Balance after corrected audit differences | (11 065 000) | (79 946 000) |
| <u>Uncorrected audit differences</u> | | |
| Correction of booking entry (CAD 154 000) and cut-off (CAD 51 000) related to advances to suppliers | (51 000) | (51 000) |
| Additional accrual for OPEX | (169 000) | (169 000) |
| Balance after all audit differences | (11 285 000) | (80 166 000) |

Insufficient information or incorrect presentation

99. SFAO found some misstatements in the disclosures of the 2021 financial statements. All material items were corrected during the audit.

Follow-up of previous recommendations

100. SFAO followed up the recommendations from previous external audits. Out of a total of 81 recommendations remaining from previous audits or issued in the meantime in the context of performance audits, 50 have been implemented and 31 remain open as at 31 March 2022. The details are available in the tool “Symbiant” managed by OIO.

Recommendations implemented

101. SFAO considers that the following recommendations have been implemented since the last audit.

| Ref. (Symbiant) | Report | Recommendations | # |
|-----------------|---|------------------------------------|-----------|
| EA/REP/2016/A | Audit of the financial statements 2016 | Rec 4, 5 | 2 |
| EA/REP/2017/B | The Cybersecurity Framework at ICAO | Rec 1, 4, 5 | 3 |
| EA/REP/2018/A | Audit of the financial statements 2018 | Rec 2, 3 | 2 |
| EA/REP/2018/B | Efficiency and effectiveness of the Procurement service | Rec 1 to 6 | 6 |
| EA/REP/2019/A | Audit of the financial statements 2019 | Rec 3 to 6 | 4 |
| EA/REP/2019/B | Efficiency and effectiveness of the Human Resources management | Rec 3 | 1 |
| EA/REP/2019/C | Procurement at ICAO: how to enhance the efficiency and effectiveness of the process | Rec 1 to 6, 8 to 18 | 17 |
| EA/REP/2020/A | Audit of the 2020 financial statements | Rec 1, 4, 6, 8 to 12, 14 to 19, 21 | 15 |
| | Total recommendations implemented | | 50 |

Recommendations pending

102. SFAO considers that the following recommendations remain pending as at 31 March 2022. This list also includes the recommendations that have implementation deadline in 2022 or later and recommendations resulting from performance or special audits which will need a specific follow-up.

| Ref. (Symbiant) | Report | Recommendations | # |
|-----------------|---|------------------|---|
| EA/REP/2016/B | Is the ICAO recruitment process efficient and effective? | Rec 1 | 1 |
| EA/REP/2017/B | The Cybersecurity Framework at ICAO | Rec 3 | 1 |
| EA/REP/2019/B | Efficiency and effectiveness of the Human Resources management | Rec 1, 2 | 2 |
| EA/REP/2019/C | Procurement at ICAO: how to enhance the efficiency and effectiveness of the process | Rec 7 | 1 |
| (no ref.) | Ethics framework at ICAO | Rec 2, 4, 7 to 9 | 5 |

| Ref. (Symbiant) | Report | Recommendations | # |
|-----------------|---|------------------------|-----------|
| EA/REP/2020/A | Audit of the 2020 financial statements | Rec 2, 3, 5, 7, 13, 20 | 6 |
| EA/REP/2020/B | Information Security | Rec 1 to 6 | 6 |
| (no ref.) | IT Governance & Strategic IT Management | Rec 1 to 9 | 9 |
| | Total recommendations pending | | 31 |

* * *

103. SFAO wishes to emphasize the excellent cooperation and spirit of openness which characterized the auditing process. It expresses its appreciation for the courtesy shown by all ICAO officials during its engagement.

Berne, 4 May 2022

SWISS FEDERAL AUDIT OFFICE
(External Auditor)

e.r. 

Eric-Serge Jeannet
Vice-President



Martin Köhli
Head of Competence Centre

Prioritization of SFAO recommendations

SFAO prioritizes its recommendations on the basis of defined risks (1 high, 2 medium, 3 low). Risks include, for example, unprofitable projects, breaches of legality and regularity, liability cases and reputational damage. The risk impact and the probability of occurrence are assessed.

ISBN 978-92-9265-869-4

